ENVIROTEK REMEDIATION INC.

Consolidated Financial Statements

Year Ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of EnviroTek Remediation Inc.:

Opinion

We have audited the consolidated financial statements of EnviroTek Remediation Inc. (the “Company”), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income (loss), cash flows and changes in shareholders’ equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying consolidated 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements, which indicates that at December 31, 2020 had an accumulated deficit of $25,385,010 and a working capital deficiency of $1,511,362. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management’s Discussion and Analysis.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Barry Hartley.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

April 30, 2021

MOORE

An independent firm
associated with Moore
Global Network Limited

ENVIROTEK REMEDIATION INC.

Consolidated Statements of Financial Position
As at December 31, 2020 and 2019

	Notes		2020		2019
ASSETS					
Current Assets					
Cash		$	**27,860**	$	113
GST receivable			**8,440**		6,617
Prepaid expenses			**500**		500
			36,800		7,230
Exploration and evaluation assets	6		**10,000**		-
TOTAL ASSETS		$	**46,800**	$	7,230
LIABILITIES AND SHAREHOLDERS' DEFICIENCY					
Current Liabilities					
Accounts payable	7,9	$	**1,270,808**	$	2,078,239
Accrued liabilities	7		**108,588**		144,500
Loans payable	8,9		**168,766**		2,445,484
			1,548,162		4,668,223
Shareholders' deficiency					
Share capital	8		**22,159,424**		22,159,424
Contributed surplus	8		**1,724,224**		1,724,224
Deficit			**(25,385,010)**		(28,544,641)
			(1,501,362)		(4,660,993)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		$	**46,800**	$	7,230

Nature of operations and going concern (Note 1)

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

"Brian Leeners"

Director

"Gregory Pearson"

Director

ENVIROTEK REMEDIATION INC.

Consolidated Statements of Comprehensive Income (Loss)
For the Years Ended December 31, 2020 and 2019

	Notes		2020		2019
Expenses					
Consulting and management fees	7	$	**282,000**	$	404,799
Exploration and evaluation expenditures			**178,968**		121,315
Foreign exchange (gain) loss			**(2,598)**		9,564
Investor relations			**2,635**		-
Office and miscellaneous	7		**123,551**		130,709
Professional fees	7		**24,353**		24,453
Transfer agent and filing fees			**6,803**		8,417
			615,712		699,257
Other income (expense)					
Forgiveness of debt	7,8, 9		**2,897,987**		-
Net income (loss) for the year			**2,282,275**		(699,257)
Comprehensive income (loss) for the year		$	**2,282,275**	$	(699,257)
Basic and diluted loss per share		$	**0.20**	$	(0.06)
Weighted average number of common shares outstanding			**11,878,381**		11,878,381

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

ENVIROTEK REMEDIATION INC.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

		2020		2019
Cash provided by (used in):				
Operating activities				
Comprehensive income (loss) for the year	**$**	**2,282,275**	$	(699,257)
Items not affecting cash:				
Forgiveness of debt		**(2,897,987)**		-
Changes in non-cash working capital items:				
GST receivable		**(1,823)**		4,826
Prepaid expenses		**-**		5,795
Accounts payable		**547,908**		598,069
Accrued liabilities		**(35,912)**		59,000
Foreign exchange		**-**		9,555
Cash used in operating activities		**(105,539)**		(22,012)
Investing activities				
Exploration and evaluation expenditures		**(10,000)**		-
Cash used in investing activities		**(10,000)**		-
Financing activities				
Loans received		**143,286**		22,000
Cash provided by financing activities		**143,286**		22,000
Net decrease in cash		**27,747**		(12)
Cash, beginning of the year		**113**		125
Cash, end of the year	**$**	**27,860**	$	113

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

ENVIROTEK REMEDIATION INC.

Consolidated Statements of Changes in Shareholder's Equity
For the Years Ended December 31, 2020 and 2019

	Number of common shares outstanding		Share capital		Contributed surplus		Deficit		Total Shareholders' Deficiency
Balance, December 31, 2018	11,878,381	$	22,159,424	$	1,724,224	$	(27,845,384)	$	(3,961,736)
Net and comprehensive loss for the year	-		-		-		(699,257)		(699,257)
Balance, December 31, 2019	**11,878,381**	**$**	**22,159,424**	**$**	**1,724,224**	**$**	**(28,544,641)**	**$**	**(4,660,993)**
Balance, December 31, 2019	**11,878,381**	**$**	**22,159,424**	**$**	**1,724,224**	**$**	**(28,544,641)**	**$**	**(4,660,993)**
Debt forgiveness by shareholders (Notes 7 and 9)	-		-		-		**877,356**		**877,356**
Net and comprehensive income for the year	-		-		-		**2,282,275**		**2,282,275**
Balance, December 31, 2020	**11,878,381**	**$**	**22,159,424**	**$**	**1,724,224**	**$**	**(25,385,010)**	**$**	**(1,501,362)**

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

1. Nature of operations and going concern

EnviroTek Remediation Inc. ("the Company") was incorporated in British Columbia on October 21, 1980 and is a public company listed on the TSX Venture Exchange ("TSX-V"). The Company terminated its previously announced change-of-business transaction. The principal business activity of the Company is mineral exploration and development. The corporate head office of the Company is located at 14th Floor, 1040 West Georgia Street, Vancouver, B.C., V6E 4H8.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern which contemplates that the Company will be able to realize its assets and settle its liabilities in the normal course as they come due for the foreseeable future. As at December 31, 2020, the Company had no source of operating cash flows, working capital deficit of $1,511,362 (2019 - $4,660,993), and has an accumulated deficit of $25,385,010 (December 31, 2019 - $28,544,641), and the Company expects to incur further losses in the development of its business. These factors cast substantial doubt about the Company's ability to continue as a going concern. Management has estimated that the Company will require additional financing to meet its obligations for the next fiscal year. Continued operations are dependent on the Company's ability to complete equity or debt financings.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

2. Basis of preparation

a) Statement of compliance

These consolidated financial statements are audited and represent the annual consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by International Accounting Standards Board ("IASB"), applicable to the preparation of consolidated financial statements. These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary AKA Ventures USA Inc. All inter-company transactions have been eliminated upon consolidation.

The Board of Directors approved these consolidated financial statements on April 30, 2021.

b) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

c) Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and contingency liabilities as at the date of the financial statements, and the reported amount of revenues and expenses during the reporting year. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The key critical judgment and sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are as follows:

Critical judgment in applying accounting policies:

<u>Going concern</u>

These consolidated financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company's ability to continue in operation for the foreseeable future and to realize its assets and discharge its liabilities in the normal course of operations. There are several adverse conditions that cast substantial doubt upon the soundness of this assumption. Refer to note 1 for more details.

2. Basis of preparation (continued)

Key sources of estimation uncertainty:

Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

Share-based payments

The Company has an equity-settled share-based scheme for directors, officers, employees and consultants. Management determines values for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and for stock based compensation, future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain, and any changes in these assumptions affect the fair value estimates.

3. Significant accounting policies

The significant accounting policies of the Company are as follows:

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned and controlled subsidiary. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company transactions and balances have been eliminated upon consolidation.

b) Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiary is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates.* Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in comprehensive loss.

c) Cash and cash equivalents

Cash is comprised of cash on hand and deposits in banks. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Restricted cash, as to withdrawal or use, are under terms of certain contractual agreements.

3. Significant accounting policies (continued)

d) Impairment of non-financial assets

Non-financial assets are evaluated at the end of each reporting period by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit ("CGU"), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets, where the recoverable amount of the CGU is the greater of the CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments to the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized in the statement of comprehensive loss.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized in the statement of comprehensive loss.

e) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date using the Black-Scholes option pricing model.

The fair value is estimated at grant date and each tranche is recognized on a graded-vesting basis over the period the options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in comprehensive loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

f) Earnings (loss) per share

Basic earnings (loss) per share ("EPS") is calculated by dividing profit or loss attributable to ordinary equity holders (numerator) by the weighted average number of ordinary shares outstanding (denominator) during the period. The denominator is calculated by adjusting the shares issued at the beginning of the period by the number of shares bought back during the period, multiplied by a time-weighting factor.

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential units. The effects of anti-dilutive potential units are ignored in calculating diluted EPS.

g) Income taxes

Tax expense comprises current and deferred tax. Tax expense is recognized in profit or loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to tax authorities.

3. Significant accounting policies (continued)

g) Income taxes (continued)

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amount of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit or loss, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for all taxable temporary differences. However, deferred tax liabilities are not recognized for taxable temporary differences arising on investments in subsidiary where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future, or on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

h) Financial instruments

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of financial assets and liabilities:

Financial assets/liabilities	Classification
Cash	FVTPL
Accounts payable	Amortized cost
Loans payable	Amortized cost

(ii) Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise.

3. Significant accounting policies (continued)

h) Financial instruments (continued)

Equity investments at FVTOCI
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk of the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are recognized in profit or loss.

i) Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses and properties. Costs associated with exploration and evaluation activity are expensed in profit or loss. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

3. Significant accounting policies (continued)

j) Adoption and future changes in Accounting standards

Certain pronouncements were issued by the IASB that are mandatory for accounting years on or after January 1, 2020 or later years. Many are not applicable or do not have significant impact on the Company and have been excluded. The following standard is likely to apply to the Company, has not yet been adopted and is being evaluated to determine its impact.

IAS 1 - Presentation of Financial Statements ("IAS 1") was amended in January 2020 to address inconsistences with how entities apply the standard over classification of current and non-current liabilities. The amendment addresses whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. This amendment is effective for annual years beginning on or after January 1, 2022. Earlier adoption is permitted. The Company is evaluating the impact of the adoption of this amendment on its financial statements.

Adoption of Accounting Standards

The Company has adopted IAS 1 that has been revised to incorporate a new definition of “material” and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, has been revised to refer to this new definition in IAS 1. The amendments were effective for annual years beginning on or after January 1, 2020. This adoption does not have a material effect on the Company.

4. Capital management

The Company classifies its share capital and contributed surplus as capital, which at December 31, 2020 totalled $23,883,648 (2019 - $23,883,648). When managing capital, the Company’s objective is to ensure the Company continues as a going concern as well as to maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide optimal returns to shareholders and benefits for other stakeholders. The Board of Directors does not establish qualitative 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 is dependent upon external financing to fund its activities. In order to carry out its business activity and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company’s approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

5. Financial instruments and financial risk management

a) Fair value

The fair value of financial instruments is the amount of consideration that would be agreed upon in an arm’s length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted market prices, as appropriate, in the most advantageous market for that instrument to which the Company has immediate access. Where quoted market prices are not available, the Company uses the closing price of the most recent transaction for that instrument. In the absence of an active market, fair values are determined based on prevailing market rates for instruments with similar characteristics. The fair value of current financial instruments approximates their carrying values as long as they are short term in nature.

b) Fair value hierarchy

Financial instruments that are held at fair value are categorized based on a valuation hierarchy which is determined by the valuation methodology utilized:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5. Financial instruments and financial risk management (continued)

The Company's financial instruments are carried at amortized cost with the exception of cash. Cash is measured using level 1 inputs.

There were no transfers between levels 1 and 2 during the year.

c) Financial risks

(i) Interest rate risk

The Company's interest rate risk arises primarily from the interest received on cash, which is invested on a short-term basis to enable adequate liquidity for payment of operational and capital expenditures. Therefore, interest rate risk is considered minimal.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, demand loan payable, accounts payable and accrued liabilities that are denominated in US dollars. The Company does not use derivative instruments to reduce its exposure to foreign exchange risk. A 10% change in the value of the US dollar against the Canadian dollar would have an impact of $11,839 on the Company's comprehensive loss.

(iii) Credit risk

The Company's credit risk is primarily attributable to cash. The Company limits its exposure to credit risk on cash as these financial instruments are held with major Canadian and international banks, from which management believes the risk of loss to be remote.

(v) Liquidity risk

The Company manages liquidity risk by maintaining cash. Liquidity requirements are managed based on expected cash flow to ensure there is capital to meet short term and long-term obligations. As at December 31, 2019, the Company did not have sufficient cash on hand to pay its short-term creditors and does not generate cash from its operations. Accordingly, liquidity risk is considered high.

6. Exploration and evaluation assets

In December 2020, the Company entered into an option agreement for the right to acquire a 100-per-cent interest in the Homathko gold project, located in the Caribou regional district of British Columbia. Under the terms of the option agreement, the company can earn a 100 percent interest in the claims by making such payments necessary to keep the property in good standing and by completing the following:

- Making the following cash payments and issuing the following common shares to Transition Metals Corp.:
    - A $10,000 cash payment on or before December 31, 2020; (paid)
    - 700,000 common shares upon TSX Venture Exchange acceptance of the option agreement and no later than June 30, 2021;
    - $40,000 in common shares at a 30-day volume-weighted average price on or before the first anniversary of the option agreement;
    - $50,000 in common shares at a 30-day volume-weighted average price on or before the second anniversary of the option agreement; and
    - $50,000 in common shares at a 30-day volume-weighted average price on or before the third anniversary of the option agreement.

- Completing the following work expenditures on the property:
    - Cumulative $100,000 by June 30, 2021; and
    - Cumulative $550,000 by Dec. 31, 2022.

The optionor will retain a 1% net smelter royalty on all mineral production, 0.5 per cent of which can be purchased by the Company for $1 million. The property is also subject to a pre-existing 1% royalty in favour of a third party.

7. Related party transactions

During the year ended December 31, 2020 and 2019, the Company entered into transactions with the related parties as below:

Name	Relationship	Nature of Transaction	Fees incurred for the year ended December 31, 2020	Fees incurred for the year ended December 31, 2019	Balance payable at December 31, 2020	Balance payable at December 31, 2019
Nexvu Services Inc.	Owned by Nexvu Capital Corporation, which Brian Leeners, Greg Pearson and Gordon Fretwell are shareholders	Rent and corporate services	$ 120,000	$ 120,000	$ 196,525	$ 209,550
Nexvu Capital Corporation	Brian Leeners, Greg Pearson and Gordon Fretwell are shareholders	Demand loan	-	-	117,428	115,428
Brian Leeners	Chief executive officer and director	Management services	120,000	120,000	174,625	444,170
Maria Conejo	President	Technical services	60,000	120,000	100	126,500
Global Link Capital	Greg Pearson, director of the Company, is a shareholder	Management services	120,000	120,000	166,335	365,783
Greg Pearson	Director	Management services	-	-	5,400	5,400
Gordon J. Fretwell, Law Corporation	Gordon Fretwell is a shareholder of Nexvu Capital Corporation.	Legal services	10,500	10,000	2,500	197,052
0733351 BC Ltd.	Owned by Nexvu Capital Corporation, which Brian Leeners, Greg Pearson and Gordon Fretwell are shareholders	Property option	-	-	9,609	9,854
AE Financial Management Ltd.	Edward Low, chief financial officer, is a shareholder	Accounting services	42,000	52,500	78,588	96,338
CBDS Health Inc.	Director	Corporate services	-	-	8,965	-
			$ 472,500	$ 542,500	$ 760,075	$ 1,570,075

The amounts payable to related parties summarized as above were included in accounts payable and accrued liabilities. Balances owing are unsecured, non-interest bearing and have no specified terms of repayment. During the year ended December 31, 2020, certain directors and companies controlled by directors and officers of the company agreed to forgive $1,066,465 in debt (note 9). As the debt forgiveness was executed in the related party's capacity as a shareholder $877,356 of the forgiven debt was attributed to retained earnings, and the balance of $189,109 was included in the statement of comprehensive income (loss).

8. Share capital

Authorized: Unlimited common voting shares, without par value.

Subscriptions received

During the year ended December 31, 2020, the Company received $143,286 (2019 – nil) towards future private placements. As at December 31, 2020, the Company had received subscription funds in the amount of $168,766 (December 31, 2019 - $2,445,484) to be applied towards a future private placement (note 9). The Company reclassified these funds as loans based on the terms of the subscription agreements.

Options and warrants

a) Stock options

There are no stock options issued and outstanding as at December 31, 2020 (December 31, 2019 – Nil).

b) Contributed surplus

The contributed surplus records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

c) Warrants

There are no warrants issued and outstanding as at December 31, 2020 (December 31, 2019 – Nil).

9. Forgiveness of debt

During the year ended December 31, 2020, the Company entered into a mutual release agreement dated November 30, 2020 with 1261935 B.C Ltd ("126BC"), an arm's length party whereas the Company transferred its hydrocarbon remediation technology previously developed to 126BC. In consideration, 126BC assumed the Company's loan payable of $2,420,004. The Company entered into letter agreements with its subscribers where its subscribers agreed to receive shares from 126BC. Consequently, the subscribers forgave the debts of $2,420,004 (note 8).

During the year ended December 31, 2020, the Company entered into letter agreements with its creditors whereas its creditors forgave total accounts payable of $1,355,339.

As a result, $2,897,987 was recorded as forgiven of debt on consolidated statements of comprehensive income and $877,356 was attributed to retained earnings.

10. Income taxes

The following table reconciles the expected income tax payable at the Canadian federal and provincial statutory income tax rates to the amounts recognized in the statements of operations and comprehensive loss for the period ended December 31, 2020 and 2019.

	2020	2019
Income (loss) before income taxes	$ 2,282,275	$ (699,257)
Statutory tax rate	27.00%	27.00%
Expected income tax payment (recovery)	616,214	(188,799)
Differences due to recognition of items for tax purposes:		
Debt forgiveness by shareholders	236,886	-
Functional currency adjustments	10,624	26,643
Foreign tax rate difference	(2,361)	(5,921)
Others	(35,731)	(137,193)
Change in deferred tax asset not recognized	(825,632)	305,270
Total income tax payment (recovery)	$ -	$ -

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. The unrecognized deductible temporary differences are as follows:

Canada	2020	2019
Property and Equipment	$ 8,111	$ 8,111
Mineral Properties	7,032,838	6,853,870
Capital Losses	4,350,934	4,350,934
Non-capital Losses	4,558,068	7,764,327
Unrecognized deductible temporary differences	$ 15,949,951	$ 18,977,242

US	2020	2019
Net operating loss	$ 1,956,962	$ 1,996,310
Unrecognized deductible temporary differences	$ 1,956,962	$ 1,996,310

10. Income taxes (continued)

As at December 31, 2020, the Company has not recognized a deferred tax asset in respect of non-capital loss carry forwards of approximately $4,558,068 (2019: $7,764,327) which may be carried forward to apply against future income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expiry	
2026	$ 208,384
2027	506,549
2028	357,043
2029	282,341
2030	383,947
2031	507,230
2032	646,267
2033	556,498
2034	483,891
2035	516,019
2036	109,899
Total	$ 4,558,068

The Company has net operating loss carry forwards of $1,956,962 (2019 - $1,996,310) which may be carried forward to apply against future income tax for US tax purposes, as follows:

Expiry	
2032	$ 1,951,963
2033	4,998
Total	$ 1,956,962