

WSM VENTURES CORP.
(FORMERLY "AVALON BLOCKCHAIN INC.")
CONSOLIDATED FINANCIAL STATEMENTS
AS AT
DECEMBER 31, 2020 AND 2019

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of WSM Ventures Corp.

Opinion

We have audited the consolidated financial statements of WSM Ventures Corp. (formerly Avalon Blockchain Inc.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and the related notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at 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 as issued by the International Accounting Standards Board.

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 *Auditors' 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 audits of the consolidated 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.

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about 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, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

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

In connection with our audits 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 audits 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 as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' 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 auditors' 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Paul Joseph Leedham.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
March 26, 2021

WSM VENTURES CORP. (FORMERLY "AVALON BLOCKCHAIN INC.")
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	December 31, 2020	December 31, 2019
	\$	\$
ASSETS		
Current assets		
Cash	245,042	338,626
Receivables	18	18
	245,060	338,644
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	27,234	13,443
Equity		
Share capital (Note 5)	2,442,656	2,442,656
Contributed surplus	112,956	112,956
Deficit	(2,337,786)	(2,230,411)
	217,826	325,201
	245,060	338,644

Nature and continuance of operations (Note 1)

Approved and authorized for issue on behalf of the Board on March 26, 2021:

"Anthony Alvaro"
Director

"Darren Devine"
Director

WSM VENTURES CORP. (FORMERLY "AVALON BLOCKCHAIN INC.")
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	For the year ended December 31, 2020	For the year ended December 31, 2019
	\$	\$
Expenses		
Professional fees	37,801	21,163
Consulting fees (Note 6)	49,775	50,878
Filing fees	19,611	15,783
Office and miscellaneous	188	122
	(107,375)	(87,946)
Loss and Comprehensive Loss for the Period	(107,375)	(87,946)
Basic and Diluted Loss Per Common Share	(0.00)	(0.00)
Weighted Average Number of Common Shares Outstanding	67,328,936	67,328,936

WSM VENTURES CORP. (FORMERLY "AVALON BLOCKCHAIN INC.")
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

Common shares

	Number of shares	Amount	Contributed Surplus	Deficit	Total
		\$	\$	\$	\$
Balance, December 31, 2018	67,328,936	2,442,656	112,956	(2,142,465)	413,147
Loss and comprehensive loss for the year	-	-	-	(87,946)	(87,946)
Balance, December 31, 2019	67,328,936	2,442,656	112,956	(2,230,411)	325,201
Loss and comprehensive loss for the year	-	-	-	(107,375)	(107,375)
Balance, December 31, 2020	67,328,936	2,442,656	112,956	(2,337,786)	217,826

WSM VENTURES CORP. (FORMERLY "AVALON BLOCKCHAIN INC.")
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	For the year ended December 31, 2020	For the year ended December 31, 2019
	\$	\$
Cash provided by (used in):		
Operating activities		
Net loss for the year	(107,375)	(87,946)
Changes in non-cash working capital balances:		
Change in prepaid expenses	-	5,040
Change in accounts payable and accrued liabilities	13,791	(2,247)
Net cash used in operating activities	(93,584)	(85,153)
Change in cash during the year	(93,584)	(85,153)
Cash, beginning of year	338,626	423,779
Cash, end of year	245,042	338,626
Supplemental cash flow disclosures		
Income taxes paid	-	-
Interest paid	-	-

WSM VENTURES CORP. (FORMERLY "AVALON BLOCKCHAIN INC.")
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

WSM Ventures Corp. (formerly "Avalon Blockchain Inc.") (the "Company") was incorporated in the Province of British Columbia on May 11, 1981. On April 15, 2020, the Company changed its name from Avalon Blockchain Inc. to WSM Ventures Corp. The head office and records office of the Company is located at 2200 – 885 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3E8. The Company's common shares are listed on the Canadian Securities Exchange ("CSE") under the symbol "WSM.X" (formerly "AVLN"). The Company has no current business or business assets and is currently in the process of exploring various business opportunities.

These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future and that management does not intend to liquidate the Company or to cease trading or has no realistic alternative but to do so. As at December 31, 2020, the Company has accumulated losses since its inception of \$2,337,786 (2019 - \$2,230,411), which has been funded primarily by the issuance of shares and loans from its creditors and related parties. These factors indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, identifying and commencing the operations of a suitable business and generating profitable operations in the future. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary should the Company be unable to continue in existence.

Although the Company has been successful in the past in obtaining financing, there can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

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. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds. The Company continues to closely evaluate the impact of COVID-19 on its operations.

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements were authorized for issue by the Board of Directors on March 26, 2021.

WSM VENTURES CORP. (FORMERLY "AVALON BLOCKCHAIN INC.")
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in Canadian dollars)

b) Basis of consolidation and presentation

The consolidated financial statements have been prepared on a historical cost basis in Canadian dollars, which is the Company's and its subsidiaries' functional currency.

These consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiary, 1158716 B.C. Ltd. 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 consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

c) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the significant accounting policies set out in Note 3f.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Loss per share

Basic loss per share is computed by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

b) Income taxes

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

WSM VENTURES CORP. (FORMERLY "AVALON BLOCKCHAIN INC.")
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c) Share capital

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company, in addition to the proportionate amount of reserves originally created at the issuance of the stock options or warrants. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to common shares based on the fair value of a common share at the announcement date of the unit offering and any residual remaining is allocated to common share purchase warrants.

d) Significant accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Significant accounting estimates include:

- i. The measurement of deferred income tax assets and liabilities.
- ii. The valuation of listing expense.

Significant accounting judgments include:

- i. The evaluation of the Company's ability to continue as a going concern.
- ii. The determination of control in business acquisitions.

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e) Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive.

The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Cash is classified as FVTPL. The Company has not classified any assets at amortized cost or FVOCI.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss ("FVTPL"); or (ii) other financial liabilities. All financial liabilities are subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable are classified as other financial liabilities and measured at amortized cost. The Company has not classified any financial liabilities as FVTPL.

As at December 31, 2020, the Company does not have any derivative financial liabilities.

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4. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the identification and evaluation of a business and continue as a going concern. The Company considers capital to be all accounts in equity. The Company is not subject to any external capital requirements therefore 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. Additional funds may be required to finance any business.

5. SHARE CAPITAL

a) Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

b) Escrow shares

As at December 31, 2020 and December 31, 2019: 12,000,000 common shares and 12,000,000 common shares, respectively.

c) Issued and outstanding

As at December 31, 2020 and December 31, 2019: 67,328,936 common shares and 67,328,936 common shares, respectively.

d) Stock options

The Company has 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 CSE requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. The maximum number of options which may be granted to any one optionee within any 12-month period shall be five percent (5%) of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one consultant within any 12-month period will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised no later than 30 days following cessation of the optionee's position with the Company.

As at December 31, 2020 and December 31, 2019 no stock options were outstanding.

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e) Warrants

Details of activity in warrants for the year ended December 31, 2019 and the year ended December 31, 2020 are as follows:

December 31, 2018	Issued	Expired	December 31, 2019	Exercise Price	Expiry Date
3,912,843	-	(3,912,843)	-	\$0.07	September 19, 2019
26,000,000	-	(26,000,000)	-	\$0.05	March 29, 2019
29,912,843	-	(29,912,843)	-	\$0.07	

December 31, 2019	Issued	Expired	December 31, 2020	Exercise Price	Expiry Date
-	-	-	-	\$ -	-
-	-	-	-	\$ -	-
-	-	-	-	\$ -	-

As at December 31, 2020 and December 31, 2019 no warrants were outstanding.

6. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel consist of officers and directors of the Company. During the year ended December 31, 2020, the Company paid management and consulting fees to a company controlled by a current officer totaling \$21,000 (2019 - \$21,000). There was no other remuneration paid to key management personnel during the twelve months ended December 31, 2020. As at December 31, 2020, there were no amounts due (December 31, 2019 - \$Nil) within accrued liabilities and accounts payable to key management personnel or directors.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Financial instruments

Fair value hierarchy

The following table summarizes the fair value hierarchy under which the Company's financial instruments are valued.

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs for the asset or liability that are not based upon observable market data.

Cash is carried at fair value using a level 1 fair value measurement. The carrying value of accounts payable approximate their fair value because of the short-term nature of these instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

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b) Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2020, the Company has cash of \$245,042 to settle liabilities due within the next year of \$27,234.

There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipates it will need additional capital in the future to fund the development or acquisition of a business. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be made available. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and the success of any business it develops or acquires.

In recent years, the securities markets have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company does not hold any liquid financial assets to which credit risk may be attributable.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

Interest rate risk

The Company does not have any financial assets exposed to interest rate risk.

Foreign currency risk

The majority of the Company's business is conducted in Canada and United States in Canadian and United States dollars. As such, the Company is exposed to foreign currency risk in fluctuations between the Canadian dollar and the US dollar. Fluctuations in the exchange rate between the Canadian dollar and the US dollar may have a material adverse effect on the Company's business and financial condition. Fluctuations do not have a significant impact on operating results.

Price risk

The Company is not exposed to any price risk while it is in the stage of identifying and evaluating businesses.

WSM VENTURES CORP. (FORMERLY "AVALON BLOCKCHAIN INC.")
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8. INCOME TAXES

The Company accounts for income taxes using the taxes payable method. As a result, the Company's income tax expense varies from the amount that would otherwise result from the application of the statutory income tax rates as set out below:

	2020	2019
	\$	\$
Net income (loss) before income taxes	(107,375)	(87,946)
Income tax recovery based on effective rate of 27% (2019 – 27%)	(29,000)	(23,745)
Permanent differences and others	-	-
Effect of change in income tax rates	-	3,000
Change in valuation allowance	29,000	20,745
Net deferred tax (recovery)	-	-

Significant components of the company's deferred income tax assets (liabilities) are as follows:

	2020	2019
	\$	\$
Non-capital loss carry forward	863,000	863,000
Convertible debentures	-	-
Deferred tax assets no recognized	(863,000)	(863,000)
Deferred tax asset (liability)	-	-

As of December 31, 2020, the Company has losses of approximately \$3,310,000 available for carry-forward to reduce future years' taxable income. These losses begin to expire in 2026.