

Dominion Water Reserves Corp.
Consolidated Financial Statements
For the years ended December 31, 2020 and December 31, 2019

Dominion Water Reserves Corp.

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For the years ended December 31, 2020 and December 31, 2019

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To the Shareholders of Dominion Water Reserves Corp.:

Opinion

We have audited the consolidated financial statements of Dominion Water Reserves Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and 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 consolidated financial position of the Company as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss and used cash from operating activities during the year ended December 31, 2020 and, as of that date, had an accumulated deficit. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, 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 Management's Discussion and Analysis.

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 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. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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 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.

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 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 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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 Anand Beejan.

Montréal, Québec

April 30, 2021

 MNP SENCRL, s.r.l.¹

¹ CPA auditor, CA, public accountancy permit no. A126822

Dominion Water Reserves Corp. Consolidated Statements of Financial Position

As at December 31

	2020	2019
Assets		
Current		
Cash	124,579	110,806
Other receivable	1,980	-
Sales tax receivables	18,774	85,425
Prepaid expenses and deposits	50,667	4,000
Total current assets	196,000	200,231
Non-current		
Property and equipment (Note 6)	240,616	187,120
Water rights (Note 7)	4,910,029	4,517,400
Right-of-Use of assets (note 8)	16,464	-
Total non-current assets	5,167,109	4,704,520
Total assets	5,363,109	4,904,751
Liabilities		
Current		
Accounts payable and accrued liabilities	112,038	147,704
Short-term convertible loan (Note 9 (v))	-	503,565
Other current liability (Note 18)	175,000	-
Current portion of lease liability (Note 10)	15,077	-
Total current liabilities	302,115	651,269
Non-Current		
Lease liability (Note 10)	1,430	-
Total liabilities	303,545	651,269
Shareholders' equity		
Share capital (Note 9)	9,933,954	5,473,965
Reserves	1,771,378	-
Equity component of short-term convertible debt (Note 9 (v))	-	45,565
Deficit	(6,645,768)	(1,266,048)
Total shareholders' equity	5,059,564	4,253,482
Total liabilities and shareholders' equity	5,363,109	4,904,751

Events after the reporting period (Note 18)

Approved on behalf of the Board

(signed) "Germain Turpin"

Director

(signed) "Alexandre Côté"

Director

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

Dominion Water Reserves Corp.
Consolidated Statements of Loss and Comprehensive loss

For the years ended December 31, 2020 and December 31, 2019

	<u>2020</u>	<u>2019</u>
Expenses		
Share based payment expense	1,143,633	-
Consulting fees	698,436	325,885
Professional fees	251,757	79,665
Travel	35,519	7,787
Rent	28,666	21,080
Licences, dues and subscriptions	26,742	230
Business taxes	10,779	88
Insurance	5,313	-
Office	5,123	20,786
Meals and entertainment	3,378	4,603
Depreciation of Right-of-Use asset	1,266	-
Amortization of property and equipment	304	169
Bank charges	42	2,731
Repairs and maintenance	-	301
Operating loss	(2,210,958)	(463,325)
Other income (expenses)		
Interest charges on short-term convertible loan	(1,435)	(44,130)
Interest charges on lease liability	(152)	-
Net gain on settlement of debts (Note 9)	38,504	-
Listing expense (Note 11)	(3,251,244)	-
	(3,214,327)	(44,130)
Net loss and comprehensive loss for the year	(5,425,285)	(507,455)
Loss per share		
Basic and diluted loss per share		
Net loss per common share, basic and diluted (Note 12)	(0.0910)	(0.0183)
Weighted average number of common shares outstanding	59,641,713	27,787,807

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

Dominion Water Reserves Corp.
Consolidated Statement of Changes in Equity

For the years ended December 31, 2020 and December 31, 2019

	<i>Share capital</i>	<i>Equity component of short-term convertible debt</i>	<i>Reserves</i>	<i>Deficit</i>	<i>Total equity (deficiency)</i>
Balance January 1, 2019	633,965	-	-	(758,593)	(124,628)
Net loss for the year	-	-	-	(507,455)	(507,455)
Issuance of share capital	4,840,000	-	-	-	4,840,000
Equity component of short-term convertible debt	-	45,565	-	-	45,565
Balance December 31, 2019	5,473,965	45,565	-	(1,266,048)	4,253,482
Net loss for the year	-	-	-	(5,425,285)	(5,425,285)
Issuance of shares – private placement	135,845	-	-	-	135,845
Issuance of shares – debt settlement	121,903	-	-	-	121,903
Issuance of shares – debt conversion	505,000	-	-	-	505,000
Issuance of shares – asset acquisition	46,429	-	-	-	46,429
Issuance of shares – reverse acquisition	3,771,350	-	-	-	3,771,350
Issuance of shares against services	37,375	-	-	-	37,375
Cost of issuance of shares	(157,913)	-	-	-	(157,913)
Warrants issuance	-	-	627,745	-	627,745
Stock options issuance	-	-	1,143,633	-	1,143,633
Debt conversion	-	(45,565)	-	45,565	-
Balance December 31, 2020	9,933,954	-	1,771,378	(6,645,768)	5,059,564

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

Dominion Water Reserves Corp. Consolidated Statement of Cash Flows

For the year ended December 31, 2020 and December 31, 2019

	2020	2019
Cash provided by (used for) the following activities		
Operating activities		
Net loss and comprehensive loss for the year	(5,425,285)	(507,455)
Amortization of property and equipment	304	169
Depreciation of Right-of-Use asset	1,266	-
Share based payment	1,143,633	-
Gain on settlement of debts	(38,504)	-
Gain on settlement of advances from a director	-	(47,641)
Interest charge on short term convertible loan	1,435	44,130
Interest charges on lease liability	152	-
Listing expense	3,251,244	-
	(1,065,755)	(510,797)
Changes in working capital accounts		
Sales tax receivables	66,651	(60,456)
Prepaid expenses and deposits	(46,667)	(4,000)
Accounts payable and accrued liabilities	(105,244)	(13,458)
	(1,151,015)	(588,711)
Financing activities		
Amounts repaid (advances) from (to) related parties	-	5,865
Proceeds from issuance of share capital, net of share issuance cost	555,344	340,000
Short-term convertible loan	-	505,000
Repayment of lease liability	(1,375)	-
	553,969	850,865
Investing activities		
Purchases of property and equipment	-	(1,689)
Purchases of water rights	(225,000)	(150,000)
Proceeds from Reverse Acquisition accounting (Note 11)	835,819	-
	610,819	(151,689)
Increase in cash resources	13,773	110,465
Cash resources, beginning of year	110,806	341
Cash resources, end of year	124,579	110,806
Supplementary cash flow information		
Non-monetary transactions:		
Purchases of water rights	(46,429)	(4,367,400)
Purchases of property and equipment		(185,600)
Settlement of Accounts Payable	(121,903)	
Settlement of short-term convertible loan	(505,000)	
Settlement of share issuance cost	(37,375)	
Listing expense	(3,251,245)	
Settlement of advances to a company controlled by a shareholder	-	53,000
Shares issued	3,961,952	4,500,000

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

Dominion Water Reserves Corp.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

1. General information

Dominion Water Reserves Corp. (the “Company” or “DWR”) was incorporated under the Canada Business Corporations Act on October 26, 2015. The head office, principal address and records office of the Company are located at 609-1188 Avenue Union, Montreal, Quebec, H3B 05E.

Dominion Water Reserves Corp. is a company that acquires spring water permits to develop operations in the spring water market in Quebec and beyond. Dominion Water Reserves Corp. is the parent company of 6305768 Canada Inc., Centre Piscicole Duhamel Inc and 11973002 Canada inc (“the subsidiaries”). These subsidiaries are fully owned by the Company.

On July 31, 2020, the Company completed an amalgamation with Tucker Acquisitions Inc. The Transaction constituted a reverse takeover of the Company by the shareholders of DWR which did not meet the definition of a business combination pursuant to IFRS 3. As such, the Transaction has been accounted for under IFRS 2, whereby the difference between the consideration given to acquire the Company and the net asset liabilities acquired of the Company is recorded as a transaction expense. Since DWR is the deemed acquirer for accounting purposes, these financial statements present the historical information and results of DWR (note 11).

The Company is listed on the Canadian Securities Exchange (the “CSE”) since August 10, 2020 under the symbol “DWR”.

Covid-19 outbreak

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. Despite the covid situation, the company was able to complete a reverse take-over (note 11) and successfully raised funds in the process.

2. Going concern

At December 31, 2020, Dominion Water Reserves Corp. has not yet achieved profitable operations, has significant losses from operations over the years and an accumulated deficit of \$6,645,768 since inception and expects to incur further losses in the development of its business. Additionally, the Company incurred a net loss and comprehensive loss of \$5,425,285 during the year.

The Company will need to raise additional funds to continue its operations. Although, the Company has been successful in attracting new investors and partners to fund the ongoing business, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on advantageous terms to the Company.

However, given the current cash position, the amount raised during the beginning of the following year as well as foreseen cash inflows and outflows in the next twelve months, management believes that sufficient cash is available to fund the Company’s operating expenses at least for the next 12 months. As a result, the continuity of the Company depends to a significant extent on the willingness of (new or existing) shareholders and partners to invest in Dominion Water Reserves Corp. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Company’s ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The accounting principles applied to the valuation of assets and liabilities and the determination of results in these financial statements are based on the assumption of continuity of the Company as the Company believes it will realize its assets and discharge its liabilities in the normal course of business.

The Company continually monitors its activities and associated expenditure closely to ensure effective deployment of resources.

3. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB").

These financial statements were approved by the Company's board of directors on April 30, 2021.

4. Basis of preparation

Basis of measurement

The consolidated financial statements have been prepared in the historical cost basis except for certain financial instruments measured at fair value. The principal accounting policies are set out in Note 5.

Functional and presentation currency

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

Significant accounting judgments and assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. These estimates and assumptions have been made using careful judgment; however, uncertainties could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are prepared based on management's best knowledge of current events and actions that the Company may undertake in the future. These estimates and underlying assumptions are reviewed on an ongoing basis and revisions to the accounting estimates are recognized prospectively in comprehensive income in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key areas of judgements and assumptions applied in the preparation of the financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenses and meet its liabilities for the ensuing period, involves significant judgment based on several factors, including expectation of future events that are believed to be reasonable under the circumstances.

Impairment of Water Rights

The company has acquired water rights in various acquisitions. The management has determined that the water rights have an indefinite life. Consequently they are not amortized but rather tested for impairment at least annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset may be impaired, by comparing the fair value of the assets to their carrying amounts.

Share-Based Compensation

The Company uses the Black-Scholes option-pricing model to determine the fair value of equity-based grants. The Black-Scholes model requires management to make certain assumptions and estimates such as the expected life of the instrument, volatility of the Company's share price, risk-free rates, future dividend yields and estimated forfeitures at the initial grant date. Volatility is estimated using companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public. Share price is based on the price of shares issued in recent raises.

4. Basis of preparation (continued)

Warrants

Estimating fair value for warrant requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the warrants. The fair value of warrants is evaluated using the Black-Scholes valuation model at the date of grant. The Company has made estimates as to the expected volatility, share price and expected life of warrants. Volatility is estimated using companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public. The expected life of the warrant is based on historical data. These estimates may not necessarily be indicative of future actual patterns. Share price is based on the price of shares issued in recent raises.

Fair Value of the share price before going public

As the Company's shares is not traded on a listed stock exchange, the Company is required to estimate the fair value of the common shares issued on debt and accounts payable and accrued liabilities settlements, issued in exchange for services. The company estimated the fair value of common shares based on expected capital raises, history of debt conversions with third parties, and internal company information.

The company estimated fair value of the shares issued in a reverse acquisition transaction during the year as the company was not listed on the stock exchange. The transaction was considered as a share-based payment under IFRS 2 and fair value of acquiree's identifiable net assets, in this case equity interests was calculated based on private placement concluded by the acquiree at or around nearby date of the said acquisition.

Fair Value of assets and liabilities related to RTO/Business Combination

In a reverse acquisition transaction, the identifiable assets, liabilities and contingent liabilities of the acquired Company are recorded at their fair values. The determination of the fair value of these assets and liabilities require significant estimates and is the estimated amount for which the assets could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in the acquisition. Any difference in the fair value of the shares deemed to have been issued and the fair value of the acquiree's identifiable net assets, represents a service received by the accounting acquirer for the net assets of the accounting acquiree, that service being the listing of shares.

The Company assesses whether an acquisition should be accounted for as an asset acquisition or a business combination under IFRS 3. This assessment requires management to make judgements on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as business and the Company obtains control of the business inputs and processes.

In an asset acquisition during the year, the company recorded the identifiable assets, liabilities and contingent liabilities of the acquired at their fair values. The determination of the fair value of these assets and liabilities requires significant estimates. Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in the acquisition. For any intangible assets identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

4. Basis of preparation (continued)

Recovery of deferred tax assets

The measurement of taxes payable and deferred tax assets and liabilities requires management to make estimates in the interpretation and application of the relevant tax laws. Management assesses whether it is probable that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. If changes were made to management's assessment regarding the Company's ability to use future tax deductions, the Company could be required to recognize more or fewer deferred tax assets, and future tax provisions or recoveries could be affected. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the financial statements.

Classification of financial instruments

All financial assets are classified in one of the following categories: fair value through profit or loss or amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets upon initial recognition. Financial assets at fair value through profit or loss are financial assets classified as held for trading or upon initial recognition are designated by the Company as fair value through profit or loss. Financial assets are classified as held for trading if acquired with the intent to sell in the short-term.

Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financial assets at amortized costs include cash and accounts and other receivables. Financial liabilities at amortized costs include accounts payable and accrued liabilities. Financial assets and liabilities at amortized costs are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

5. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Certain comparative amounts have been reclassified to conform to the current year's presentation.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its wholly-owned subsidiaries as further described in Note 9.

Subsidiaries are entities controlled by the Company. Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and it has the ability to affect those returns through its power over the investee. In assessing control, only rights which give the Company the current ability to direct the relevant activities and that the Company has the practical ability to exercise, is considered.

The results of subsidiaries acquired or disposed of during the year are included in these consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate. All subsidiaries were inactive in 2020.

Cash

Cash comprises cash in bank and demand deposits which are subject to an insignificant risk of changes in value.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

All assets having limited useful lives are depreciated using the diminishing balance method over their estimated useful lives. Assets are depreciated from the date of acquisition.

Dominion Water Reserves Corp.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

5. Summary of significant accounting policies (continued)

The methods of depreciation and depreciation rates applicable for each class of asset during the current and comparative period are as follows:

	<i>Method</i>	<i>Rate</i>
Furniture and fixtures	declining balance	20%

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

Water rights

Water rights are indefinite lived intangible assets and include expenditures that are directly attributable to the acquisition of the assets. Water rights consist of various water interests acquired in conjunction with the acquisition of real estate. When the Company purchases water rights that are attached to real estate, an allocation of the total purchase price, including any direct costs of the acquisition, is made at the date of acquisition based on the estimated relative fair values of the water rights and the real estate.

Water rights are not amortized but are tested for impairment at least annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset may be impaired, by comparing the fair value of the assets to their carrying amounts. The fair value of the intangible assets is calculated using discounted cash flow models that incorporate a wide range of assumptions including estimated volume of water expected to be derived from each water right, expected capital expenditures, sales pricing, price escalation, discount rates, timing of sales, and costs. These models are sensitive to changes in any of the input variables which are subject to uncertainties.

Impairment of long-lived assets

At the end of each year, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating units ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and 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 of 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 immediately in profit or loss.

Where an impairment loss subsequently reverses, 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 years. A reversal of an impairment loss is recognized immediately in profit or loss.

5. Summary of significant accounting policies (continued)

Share-Based Payment Transactions

Transactions with non-employees that are settled in equity instruments of the Company are measured at the fair value of the services rendered. In situations where the fair value of the goods or services received by the Company as consideration cannot be reliably measured, transactions are measured at fair value of the equity instruments granted. The fair value of the share-based payments is recognized together with a corresponding increase in equity over a period that services are provided, or goods are received.

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options issued pursuant to its Stock Option Plan described in note 9. This pricing model incorporates highly subjective assumptions, including volatility and expected time until exercise, which can affect the fair value of the stock options. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in net loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

No expense is recognized for awards that do not ultimately vest.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of loss per share

Warrants

The Company uses the Black-Scholes Model to calculate the value of warrants issued as part of the Company's public and/or private placements. The Black-Scholes Model requires six key inputs to determine a value for a warrant: risk-free interest rate, exercise price, market price at date of issuance, expected yield, expected life, and expected volatility. Certain of the inputs are estimates, which involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. Proceeds from unit placements, net of issuance costs, are allocated between common shares and warrants issued according to their relative fair value.

Financial instruments

Financial assets

Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and subsequent measurement

Subsequent to initial recognition, all financial assets are classified and subsequently measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of accounts receivable.

Reclassifications

The Company reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than debt instruments measured at fair value through profit or loss and equity investments. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

5. Summary of significant accounting policies *(Continued from previous page)*

The Company applies the simplified approach for accounts receivable. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts, breaches of borrowing contracts such as default events or breaches of borrowing covenants, requests to restructure loan payment schedules. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

Financial liabilities

Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount. Transaction costs of equity transactions are treated as a deduction from equity.

Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Convertible loans

Short-term loans are separated into their liability and equity components on the Statement of Financial Position. The liability component is initially recognized at fair value, determined as the net present value of future payments of interest and principal, discounted at the market rate for similar non-convertible liabilities at the time of issue. The liability component is subsequently measured at amortized cost, using the effective interest method, until extinguished upon conversion or maturity.

The fair value of the equity component of debt is estimated using the residual method in which the difference between the face value of the instrument and the fair value of the liability component is allocated as the fair value of the equity component.

Leases

The Company has elected to not recognize right-of-use assets and lease liabilities for short-term rent leases. Short-term leases are leases with a term of twelve months or less. The Company recognizes the lease payments associated with these leases as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the lessee's benefit.

The Company recognizes right-of-use assets and lease liabilities for long-term rent leases. Long-term leases are leases with a term of twelve months or more. The Company recognizes a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Dominion Water Reserves Corp.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

5. Summary of significant accounting policies *(Continued from previous page)*

Income taxes

Taxation on the profit or loss for the year comprises of current and deferred tax.

Taxation is recognized in profit or loss except to the extent that the tax arises from a transaction or event which is recognized either in other comprehensive income or directly in equity, or a business combination.

Current Taxes

Current tax is the expected tax payable on the taxable income for the year using rates enacted or substantially enacted at the year end and includes any adjustments to tax payable in respect of previous years.

Deferred Taxes

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Where an asset has no deductible or depreciable amount for income tax purposes but has a deductible amount on sale or abandonment for capital gains purposes, the amount is included in the determination of temporary differences.

Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantially enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets are reviewed at each statements of financial position and adjusted to the extent that it is no longer probable that the related tax benefit will be realized.

Equity

Share capital represents the amount received on the issue of shares less issuance costs.

Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period.

6. Property and equipment

	<i>Land</i>	<i>Building</i>	<i>Furniture and fixtures</i>	<i>Total</i>
Cost				
Additions	185,600	-	1,689	187,289
Balance at December 31, 2019	185,600	-	1,689	187,289
Additions	43,500	10,300	-	53,800
Balance at December 31, 2020	229,100	10,300	1,689	241,089

Dominion Water Reserves Corp.
Notes to the Consolidated Financial Statements
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6. Property and equipment (continued)

	<i>Land</i>	<i>Building</i>	<i>Furniture and fixtures</i>	<i>Total</i>
Depreciation				
Depreciation charge for the year	-	-	169	169
Balance at December 31, 2019	-	-	169	169
Depreciation charge for the year	-	-	304	304
Balance at December 31, 2020	-	-	473	473
Net book value				
At December 31, 2020	229,100	10,300	1,216	240,616

7. Business combination and water rights

On December 31, 2019, the Company acquired 100% of the shares of 6305768 Canada Inc. and Centre Piscicole Duhamel Inc. pursuant to an arm's length acquisition offer dated August 27, 2019, as amended and restated on December 31, 2019. Pursuant to this acquisition the Company agreed to a fair value of consideration of \$4,703,000, comprising of cash of \$150,000, a settlement of advances to a company controlled by a shareholder in the amount of \$53,000 and the balance paid by the issuance of 18,000,000 shares (post-consolidated) at a price of \$0.25 (post-consolidated adjusted) per share. The fair value of the shares was negotiated by both parties and was established based on several factors including recent financing.

The Company reviewed the guidance provided under IFRS 3, Business Combinations, for definition of business and determined that the above business combinations did not have any processes or outputs and therefore did not meet the definition of a business. Consequently, these business combinations are accounted for as assets acquisition and the entirety of the gross assets acquired pertains to land of \$185,600 and water rights of \$4,517,400.

On December 14, 2020, the Company acquired 100% of the shares of 11973002 Canada Inc. pursuant to an arm's length acquisition offer dated October 26, 2020. Pursuant to this acquisition the Company agreed to a fair value of consideration of \$446,429, comprising of cash of \$400,000 and the balance paid by the issuance of 714,286 shares at a fair value of \$0.065 per share. The fair value of the shares was determined by the stock market price per share at the date of the transaction.

The Company reviewed the guidance provided under IFRS 3, *Business Combinations*, for definition of business and determined that the above business combinations did not have any processes or outputs and therefore did not meet the definition of a business. Consequently, these business combinations are accounted for as assets acquisition and the entirety of the gross assets acquired pertains to land of \$43,500, building of \$10,300 and water rights of \$392,629.

	<i>Water rights</i>
Cost	
Additions	4,517,400
Balance at December 31, 2019	4,517,400
Additions	392,629
Balance at December 31, 2020	4,910,029

There were no impairment losses recognized on water rights during the years ended December 31, 2020 and 2019.

Dominion Water Reserves Corp.
Notes to the Consolidated Financial Statements
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8. Right-of-Use Assets

In connection with the adoption of IFRS 16 as disclosed in note 5, the Company has recognized a right-of-use asset for its office premises with a corresponding lease liability (Note 10) which are initially measured at the present value of the future lease payments. In accordance with IFRS 16, the Company then recognizes depreciation of right-of-use assets and interest expense on lease liabilities in the statements of loss and comprehensive loss.

	Office premises (\$CAD)
Balance, January 1, 2019	-
Adoption of IFRS 16	17,730
Depreciation for the period	1,266
	16,464

- a) The Company signed a lease agreement on July 23, 2020 for the period August 1, 2020 to January 31, 2021 wherein the Company elected not to recognize right-of-use and a lease liability as it was a short term lease, thereby having a rent expense of \$28,666.
- b) The Company further signed a lease agreement on November 30, 2020 for the period February 28, 2021 to January 31, 2022 for which IFRS 16 was adopted from November 30, 2020. The Company has not decided on renewing the above lease.

9. Shareholder's equity

Share capital

(a) *Authorized*

Unlimited number of common Class 'A' shares, voting, participating, without nominal or par value.

(b) *Capital stock*

The change in state share capital was as follows:

		Number of common shares	Stated share capital	Share issuance costs	Total
Balance, January 1, 2019		27,564,611	\$652,113	(18,148)	\$633,965
Issuance of shares for cash	i	4,533,333	\$340,000	-	\$340,000
Issuance of shares – asset acquisition	ii	18,000,000	\$4,500,000	-	\$4,500,000
Balance, December 31, 2019		50,097,944	5,492,113	(18,148)	\$5,473,965
Consolidation of 3:1	iii				
Issuance of shares – debt settlement	iv	100,000	7,500	-	\$7,500
Issuance of shares – debt conversion	v	6,733,333	505,000	(120,538)	\$384,462
Issuance of shares – reverse acquisition	vi	10,775,286	3,771,350	-	\$3,771,350
Issuance of shares – private placement	vii	6,500,000	135,845	-	\$135,845
Issuance of shares against services	viii	325,000	37,375	(37,375)	-
Issuance of shares – debt settlement	ix	994,809	114,403	-	\$114,403
Issuance of shares – asset acquisition		714,286	46,429	-	\$46,429
		26,142,714	4,617,902	(157,913)	\$4,459,989
Balance, December 31, 2020		76,240,658	10,110,015	(176,061)	9,933,954

Dominion Water Reserves Corp.
Notes to the Consolidated Financial Statements
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9. Shareholder's equity (continued)

- i. On December 18, 2019, 4,533,333 common shares (post consolidation) were approved and issued by the Company for a total cash consideration of \$340,000.
- ii. As at December 31, 2019, 18,000,000 common shares (post consolidation) at a price of \$0.25 per share were approved and issued by the Company for a total amount of \$4,500,000.
- iii. On April 20, 2020, DWR completed a share consolidation of 1 common share for every 3 pre-consolidation shares.
- iv. On April 29, 2020, a debt of DWR in the aggregate amount of \$115,952 was settled in consideration of a cash payment of \$60,000 and an aggregate of 100,000 common shares, resulting in a gain on settlement of debt of \$48,452 as the fair value of the common Shares was determined to be \$0.075 per share.
- v. On July 8, 2020, DWR settled the balance of its short-term convertible debt for an amount of \$505,000 into 6,733,333 DWR common shares at a deemed price of \$0.075 per common share. The equity component of short-term convertible debt of \$45,565 was de-recognized to deficit.
- vi. On July 31, 2020, in connection with the reverse acquisition, DWR issued 10,775,286 common shares in consideration of Tucker's net assets.
- vii. On October 16, 2020, the Company issued 6,500,000 units which comprise one common share and one warrant at an agreed price of \$0.10 per units for gross proceeds of \$650,000. As part of the non-brokered private placement, DWR issued 325,000 common shares as finder's fees.
- viii. On October 16, 2020, two trade payables of DWR in the aggregate amount of \$104,455 were settled in consideration of 994,809 common shares, at a deemed price of \$0.115 per share, resulting in a loss on debt settlement of 9,948.
- ix. As at December 14, 2020, 714,286 common shares at a price of \$0.065 per share were approved and issued by the Company for a total amount of \$46,429 as described in Note 7.

(c) Stock Options and Warrants

The Company maintains a Stock Option Plan (the "Plan") for the benefit of directors, officers, employees and consultants. The maximum number of common shares reserved for issuance and available for purchase pursuant to options granted under the Plan cannot exceed 10% of the total number of common shares of the Company issued and outstanding at the date of any grant made. In addition, the aggregate number of shares so reserved for issuance to one person may not exceed 5% of the issued and outstanding shares in any given 12-month period. Options pursuant to the Plan are granted at the discretion of the Board of Directors, vest at schedules determined by the Board, and have an exercise price of not less than that permitted by the stock exchange on which the shares are listed. There were no stock options granted in the previous year. The following summarizes the stock option activities:

The following summarizes the stock option activities:

	31-December-2020	
Number of options	Weighted average Exercise Price(\$CAD)	
Beginning balance	-	-
Granted	7,552,837	0.17
Forfeited	-	-
Outstanding at year end	7,552,837	0.17

Dominion Water Reserves Corp.
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9. Shareholder's equity (continued)

The Company had the following stock options outstanding at December 31, 2020:

Number of options	Exercise Price	Expiry date
5,900,000	\$ 0.19	August 14, 2025
1,652,837	\$ 0.10	October 27, 2025
7,552,837		

During the year ended December 31, 2020, the Company:

- i) Granted 5,900,000 stock options to certain officers, employees and consultants. Each option vests immediately and allows the holder to purchase one common share of the Company at an exercise price of CAD\$0.19 per common share for a period of 5 years. The fair value of the options of CAD\$996,346 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	0.42%
Forfeiture rate	0%
Expected life	5 years
Expected volatility	142%*

* Volatility was estimated using companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public.

For the year ended December 31, 2020, share-based compensation expense includes \$996,346 with respect to these stock options.

- ii) Granted 1,652,837 stock options to certain officers, employees and consultants. Each option vests immediately and allows the holder to purchase one common share of the Company at an exercise price of CAD\$0.10 per common share for a period of 5 years. The fair value of the options of CAD\$147,287 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	0.36%
Forfeiture rate	0%
Expected life	5 years
Expected volatility	143%*

* Volatility was estimated using companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public.

For the year ended December 31, 2020, share-based compensation expense includes \$147,287 with respect to these stock options.

Dominion Water Reserves Corp.
Notes to the Consolidated Financial Statements
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9. Shareholder's equity (continued)

Warrants

All of the outstanding warrants were issued in conjunction with the issuance of common shares. The fair value of warrants issued and outstanding is reflected in contributed surplus. Amounts for warrants that are subsequently exercised are transferred from contributed surplus to capital stock.

The following table summarizes the warrant activities for the year ended December 31, 2020:

	31-December-2020	
	Number of warrants	Weighted average Exercise Price(\$CAD)
Beginning balance	-	-
Issued pursuant to subscription receipts(i)	6,500,000	0.15
Issued to Finders in connection with subscription receipts (ii)	325,000	0.15
Finders warrants acquired in Reverse acquisition from Tucker (iii)	307,857	0.11
Outstanding at period end	7,132,857	0.15

The Company had the following warrants outstanding at December 31, 2020:

Number of Warrants	Exercise Price	Expiry date
6,500,000	\$ 0.15	October 16, 2023
325,000	\$ 0.15	October 16, 2023
165,000	\$ 0.05	December 31, 2021
80,000	\$ 0.05	January 15, 2022
62,857	\$ 0.35	July 31, 2022
7,132,857		

During the year ended December 31, 2020, the Company:

- (i) Issued 6,500,000 warrants as described in Note 9(vii). Each warrant allows the holder to purchase one common share of the Company at an exercise price of CAD\$0.15 per unit for a period of 3 years. Using the residual method to allocate the proceeds received by Dominion Water Reserves Corp. pursuant to the Transaction, the fair value of the Warrants of \$514,322 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	0.24%
Forfeiture rate	0%
Expected life	3 years
Expected volatility	126%*

* Volatility was estimated using companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public.

Dominion Water Reserves Corp.
Notes to the Consolidated Financial Statements
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9. Shareholder's equity (continued)

- (ii) In connection with the issuance of the DWR Units disclosed in note 9(vii), DWR issued 325,000 DWR Finder's Warrants with each DWR Finder Warrant entitling the holder to acquire one common share at an exercise price of CAD\$0.15 per DWR Common share until October 16, 2023. The fair value of the options of CAD\$25,716 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	0.24%
Forfeiture rate	0%
Expected life	3 years
Expected volatility	126%*

* Volatility was estimated using companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public.

For the year ended December 31, 2020, share issuance includes \$25,716 with respect to these DWR finder's warrants.

- (iii) During the year ended December 31, 2020, the Company acquired Tucker's Finder's warrants in a reverse acquisition with Tucker on July 31, 2020 as described in note 7. Each Tucker Finder warrant entitling the holder to acquire one common share at various exercise prices until different expiry periods as described above. The fair value of the options of CAD\$87,708 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

	165,000 Finder's warrants	80,000 Finder's warrants	62,857 Finder's warrants
Expected dividend yield	Nil	Nil	Nil
Risk-free interest rate	0.26%	0.26%	0.26%
Forfeiture rate	0%	0%	0%
Expected life	1.42	1.46	2
Expected volatility	120%	120%	112%

For the year ended December 31, 2020, listing expense includes \$87,708 with respect to these Tucker's finder's warrants.

10. Lease Liability

In connection with the adoption of IFRS 16 as disclosed in Note 5, the Company has recognized a right-of-use asset Note 8 for its office premises with a corresponding lease liability which is initially measured at the present value of the future lease payments. In accordance with IFRS 16, the Company then recognizes depreciation of right-of-use assets and interest expense on lease liabilities in the consolidated statements of loss and comprehensive loss.

Dominion Water Reserves Corp.
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10. Lease Liability (continued)

In order to calculate the present value of the future lease payments, the Company has used a discount rate of 12% which represents the Company's interest rate that would need to be provided if it issues a debenture given the present risk level of the Company. Prior to the adoption of IFRS 16, this lease was accounted for as operating leases. The present value of the future lease payments was calculated from November 30, 2020, the signing date of new agreement for a term of more than twelve months. Changes to the Company's lease liabilities for the year ended December 31, 2020 are as follows:

	Office premises \$CAD
Balance, January 1, 2019	-
Adoption of IFRS 16	17,730
Interest expense	152
Lease payments	(1,375)
	16,507
Less: current portion	15,077
Balance December 31, 2020	1,430

a) The Company has not decided on renewing the above lease.

11. Reverse acquisition accounting

On July 31, 2020, the Company completed an amalgamation with Tucker Acquisitions Inc. ("Tucker"), pursuant to an agreement signed on March 27, 2020. The Company and Tucker carried out a business combination by way of an amalgamation where the companies, both existing under the laws of Canada, amalgamated and formed one corporation under the provisions of the Canada Business Corporations Act and, upon the amalgamation taking effect, Company's shareholders and the Tucker's shareholders have received shares of the corporation continuing from the amalgamation. Immediately following the transaction, 84% of shares were owned by former shareholders of DWR and 16% were owned by the shareholders of Tucker. Under the terms of the Agreement, the shareholders of DWR Shares (the "DWR Shareholders") will receive one (1) of a Tucker common share (each whole share, a "Tucker Share") for everyone (1) DWR Share (the "Exchange Ratio").

As Tucker does not meet the definition of a business under *IFRS 3, Business Combinations*, the acquisition of Tucker was accounted for under *IFRS 2, Share Based Payment*. Under a reverse acquisition accounting, any difference in the fair value of the consideration and the fair value of Tucker's net asset acquired is recorded as a listing expense charge in the statement of loss and comprehensive loss. The result of listing expense was as follows:

Dominion Water Reserves Corp.
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11. Reverse acquisition accounting (continued)

Common share consideration

# of common shares issued to Tucker shareholders	10,775,286
Fair value of common shares	0.35
	<u><u>\$ 3,771,350</u></u>

Fair value of warrants	<u>\$87,708</u>
Total consideration	<u><u>\$ 3,859,058</u></u>

Tucker's net asset at fair value

Cash	\$ 835,819
Accounts and other receivable	1,980
Accounts payable and accrued liabilities	<u>(229,985)</u>
Tucker's net asset at fair value	<u><u>\$ 607,814</u></u>

Excess (listing expense)	<u><u>\$ 3,251,244</u></u>
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The fair value of common shares was determined in accordance with a private placement closed in Tucker right before the amalgamation at \$0.35 per share.

12. Loss per share

(a) Basic loss per share

Basic loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the year.

(b) Diluted loss per share

Diluted loss per share is computed by dividing net loss for a year by the diluted number of common shares. Diluted common shares include the effects of instruments, such share options, which could cause the number of common shares outstanding to increase.

The Company reported net losses for the year ended December 31, 2020; the Company has accordingly presented basic and diluted loss per share.

Dominion Water Reserves Corp.
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13. Income tax

(a) Reconciliation of income tax recovery:

	2020	2019
Loss before income taxes	(5,425,285)	(507,455)
Expected income tax recovery	(1,437,701)	(134,983)
Increase (decrease) in income taxes resulting from:		
Non-deductible listing expense	831,335	-
Non-deductible stock option expense	303,063	-
Tax benefits not recognised	302,278	134,528
Other	1,025	455
	-	-

The statutory tax rate for 2020 and 2019 were 26.50% and 26.60%, respectively. The Québec general corporate tax rate has decreased at a rate of 0.10% per year from 11.80% to 11.50% beginning January 1 of each year from 2017 to 2020.

Composition of deferred income taxes in the income statement

Inception and reversal of tax benefits	(302,278)	(134,528)
Temporary difference not recorded	302,278	134,528
	-	-

(b) Deferred tax assets and liabilities

As at December 31, 2020 the Company has the following temporary differences for which no deferred tax has been recognized:

	2020		2019	
	<i>Federal</i>	<i>Quebec</i>	<i>Federal</i>	<i>Quebec</i>
Issuance costs	223,204	223,204	30,257	30,257
Capitalised financing fees	22,539	22,539	23,725	23,725
Non-capital losses	2,200,141	2,181,818	1,093,023	1,076,389
Total unrecognized deductible temporary differences	2,445,884	2,427,561	1,147,005	1,130,370

The ability to realize the tax benefits is dependant upon a number of factors, including the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient profits will be available to allow the asset to be recovered. At December 31, 2020, deferred tax assets totaling \$646,052 (2019 - \$301,954) have not been recognized.

The Company has the following non-capital losses which are available to reduce income taxes in future periods, for which no deferred tax asset has been recognized in the statement of financial position, that can be carried over the following years:

	Federal Amount	Quebec Amount
2035	30,278	29,314
2036	321,161	314,512
2037	112,216	108,957
2038	103,878	100,417
2039	525,490	523,801
2040	1,107,118	1,105,429
	2,200,141	2,182,430

Dominion Water Reserves Corp.
Notes to the Consolidated Financial Statements
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14. Related party transactions

During the current year, the Company entered into transactions with shareholders and key management other than balances already disclosed in notes above. These transactions are in the normal course of operations. The balances are subject to normal terms of trade.

Transactions with shareholders and key management

	2020	2019
Consulting fees paid to a company controlled by a shareholder	33,000	169,304
Consulting fees paid to treasurer	-	87,265
Consulting fees paid to President and CEO	176,152	58,000
Amounts included in accounts payable	-	562
Issue of Stock options to President and CEO	219,534	-
Issue of stock option to Director	84,436	-

The above payment of consultancy fees includes \$90,000 paid to current president and CEO and \$86,152 paid to former CEOs. Similarly, the fair value of stock options includes \$84,436 paid to current president and CEO while the balance of \$135,098 pertains to stock options granted to former CEOs.

15. Commitment

On November 20, 2020, the company entered into a 25 year water sales contract with Acquanor with an obligation to supply water at a price of \$0.005 per litre of water for the first five years, \$0.010 from year 6th to 10th, \$0.015 from year 11th to 15th and \$0.02 from year 16th to 25th, not exceeding 71 million litres for each year with no significant consequences in the event of breach.

16. Financial instruments and risk management

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

(a) Fair value of financial instruments

The carrying values of cash, accounts and other receivables and accounts payable and accrued liabilities are considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments. The fair value of the convertible debt is derived from market rates.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Company enters into transactions to purchase services on credit for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Company's future net cash flows for the possibility of negative net cash flow.

The Company attempts to manage the liquidity risk resulting from its accounts payable by diversifying its sources of funding and by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As at December 31, 2020, the Company had a cash balance of \$126,559 to settle accounts payable and accrued liabilities and other payables of \$303,545. Accounts payable are due within less than 90 days. The Company is exposed to significant liquidity risk (Note 17).

16. Financial instruments and risk management (continued)

(c) Credit Risk

Credit risk is the risk of financial loss to the Company because a counter party to a financial instrument fails to discharge its contractual obligations. Credit risk primarily arises from cash with banks and advances to related parties.

There is no provision for expected credit losses given that there are no advances to related parties outstanding as at December 31, 2020.

The Company reduces credit risk by dealing with creditworthy financial institutions and ensuring the creditworthiness of the related parties.

(d) Fair Value Hierarchy

A number of the Company's accounting policies and disclosures require the measurement of fair valued for both financial and non-financial assets and liabilities. The Company has an established framework, which includes team members who have overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. The Company regularly assesses significant unobservable inputs and valuation adjustments. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) 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 on observable market data (unobservable inputs). The Company's cash and cash held in trust are included in Level 1.

17. Capital management

The capital structure of the Company consists of equity attributable to common shareholders, comprising issued share capital, reserves and deficit. The Company's objectives when managing capital are to: (i) preserve capital; (ii) obtain the best available net return; and (iii) maintain liquidity.

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

The Company is not subject to externally imposed capital requirements.

Dominion Water Reserves Corp.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

18. Events after the reporting period

(a) On February 26, 2021, the Company closed a private placement of 11,750,000 units of the Company at \$0.10 per units for gross proceeds of \$1,175,000. Each unit consisted of one (1) common share in the capital of the Company and one (1) common share purchase warrant of the Company. Each warrant is exercisable into one (1) additional Share at an exercise price of \$0.15 per share on or before February 26, 2023. \$5,000 finder's fee was paid in connection with this private placement.

(b) The company paid \$25,000 on February 8, 2021 and \$150,000 on March 31, 2021, balance due to Acquanor on acquisition of 100% shares of 11973002 Canada Inc. as described in Note 7.

(c) On April 6, 2021, the Company has closed the acquisition of a 100% interest in the Sources Sainte-Cécile and Saint-Élie de Caxton water rights located in the Province of Quebec, through the acquisition of all the issued and outstanding shares of 3932095 Canada Inc and Source Sainte-Cécile Inc. in consideration of 4,720,000 common shares of the Corporation. This acquisition was done with a related party of the Company.

(d) On April 8, 2021, the Company has closed the acquisition of a 100% interest in the Source Saint-Siméon water rights located in the Province of Quebec, through the acquisition of all the issued and outstanding shares of Société Alto 20000 Inc. in consideration of 3,000,000 common shares of the Corporation.

(e) On April 9, 2021, the Company granted 1,272,000 stock options exercisable at a price of \$0.11 per share for a period up to two years expiring on April 9, 2023.