



## **Financial Statements**

**December 31, 2020**

**INDEPENDENT AUDITOR'S REPORT**

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DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Midasco Capital Corp.

### Opinion

We have audited the financial statements of Midasco Capital Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statement of changes in shareholders' equity (deficit), comprehensive loss and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

### Basis for Opinion

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

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions that indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

DMCL

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

February 2, 2021



An independent firm  
associated with Moore  
Global Network Limited

**MIDASCO CAPITAL CORP.**  
**STATEMENTS OF FINANCIAL POSITION**  
Expressed in Canadian Dollars

	Note	December 31, 2020	December 31, 2019
<b>ASSETS</b>		\$	\$
<b>Current assets</b>			
Cash		21,063	63,523
Sales tax receivable		177	1,618
<b>TOTAL ASSETS</b>		<b>21,240</b>	<b>65,141</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		33,419	33,340
Due to related parties	5	152,500	104,500
		<b>185,919</b>	<b>137,840</b>
<b>SHAREHOLDERS' DEFICIT</b>			
Share capital	4	13,949,715	13,949,715
Reserves	4	1,838,157	1,838,157
Accumulated deficit		(15,952,551)	(15,860,571)
		<b>(164,679)</b>	<b>(72,699)</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' DEFICIT</b>		<b>21,240</b>	<b>65,141</b>

*Nature and continuance of operations (Note 1)*

**Approved on Behalf of the Board of Directors:**

/s/ William Pettigrew  
Director

/s/ Ryan Cheung  
Director

*The accompanying notes are integral to these financial statements.*

**MIDASCO CAPITAL CORP.**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)**  
Expressed in Canadian Dollars

	Share Capital		Reserves			Accumulated Deficit	Total	
	Note	Number of Shares	Amount	Equity settled benefits	Warrants			Other
			\$	\$	\$	\$	\$	
<b>Balance, December 31, 2018</b>		<b>12,273,360</b>	<b>13,949,715</b>	<b>1,445,965</b>	<b>292,192</b>	<b>100,000</b>	<b>(15,784,830)</b>	<b>3,042</b>
Loss for the year		-	-	-	-	-	(75,741)	(75,741)
<b>Balance, December 31, 2019</b>		<b>12,273,360</b>	<b>13,949,715</b>	<b>1,445,965</b>	<b>292,192</b>	<b>100,000</b>	<b>(15,860,571)</b>	<b>(72,699)</b>
<b>Balance, December 31, 2019</b>		<b>12,273,360</b>	<b>13,949,715</b>	<b>1,445,965</b>	<b>292,192</b>	<b>100,000</b>	<b>(15,860,571)</b>	<b>(72,699)</b>
Loss for the year		-	-	-	-	-	(91,980)	(91,980)
<b>Balance, December 31, 2020</b>		<b>12,273,360</b>	<b>13,949,715</b>	<b>1,445,965</b>	<b>292,192</b>	<b>100,000</b>	<b>(15,952,551)</b>	<b>(164,679)</b>

*The accompanying notes are integral to these financial statements.*

**MIDASCO CAPITAL CORP.**  
**STATEMENTS OF COMPREHENSIVE LOSS**  
Expressed in Canadian Dollars

		For the years ended	
	Note	December 31	
		2020	2019
		\$	\$
<b>EXPENSES</b>			
Consulting fees	5	34,500	59,000
Investor relations		-	3,491
Office and general	5	26,417	14,210
Professional fees	5	18,800	23,000
Transfer agent and filing fees		10,802	7,045
Travel and promotion		1,461	1,460
Other income		-	(32,465)
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>(91,980)</b>	<b>(75,741)</b>
<b>Weighted Average Number of Shares Outstanding</b>		<b>12,273,360</b>	12,273,360
<b>Basic and Diluted Loss Per Share</b>		<b>(0.01)</b>	(0.01)

*The accompanying notes are integral to these financial statements.*

**MIDASCO CAPITAL CORP.**  
**STATEMENTS OF CASH FLOWS**  
Expressed in Canadian Dollars

	For the years ended December	
	31	
	2020	2019
	\$	\$
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>		
<b>Loss for the year</b>	<b>(91,980)</b>	<b>(75,741)</b>
Changes in non-cash working capital items:		
Other receivables	<b>1,441</b>	<b>(1,619)</b>
Due to related parties	<b>48,000</b>	<b>29,000</b>
Accounts payable and accrued liabilities	<b>79</b>	<b>9,001</b>
	<b>(42,460)</b>	<b>(39,538)</b>
<b>Decrease in cash</b>	<b>(42,460)</b>	<b>(39,358)</b>
<b>Cash, beginning of the year</b>	<b>63,523</b>	<b>102,881</b>
<b>Cash, end of the year</b>	<b>21,063</b>	<b>63,523</b>

*The accompanying notes are integral to these financial statements.*

## **1. NATURE OF OPERATIONS**

Midasco Capital Corp. (“Midasco” or the “Company”) is a Canadian resident company listed on the NEX board of the TSX Venture Exchange and trades under the symbol MGC.H. The Company’s head office is at 12216 Boundary Drive North, Surrey, British Columbia, Canada.

The financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will continue its operations and will be able to realize the carrying value of its assets and discharge its liabilities in the normal course of business. The ability of the Company to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business is dependent upon continued financial support from related parties, the ability of the Company to raise equity financing to continue operations, and successfully identifying a new business opportunity for the Company. These uncertainties may cast significant doubt on the ability of the Company to continue operations as a going concern. The financial statements do not reflect adjustments to the carrying values of assets, liabilities or reported results should the Company be unable to continue as a going concern. Different bases of measurement may be appropriate if the Company were not expected to continue operations for the foreseeable future.

The Company will seek additional financing through related party loans and equity raises. As at December 31, 2020, the Company had a working capital deficit of \$164,679 and accumulated losses of \$15,952,551.

On April 25, 2019, the Company entered into a binding letter of intent (the “LOI”) with an established California-based cannabis company, OutCo Labs Inc. (“OutCo”). The LOI proposed terms and conditions, pursuant to which, subject to regulatory approval, the Company and OutCo would affect a business combination that will result in a reverse takeover of the Company by the security holders of OutCo. Upon signing of the LOI, OutCo paid to Midasco \$25,000 USD (CDN \$32,465) as a non-refundable deposit (received) and in the event either party terminates the LOI, a break fee of \$50,000 USD will become payable to the other party subject to the terms of the LOI.

On August 13th, 2019 the Company issued a news release announcing that the April 25th, 2019 binding letter of intent was terminated by Outco when they breached certain binding standstill terms of the LOI by signing a non-disclosure agreement and actively negotiating a term sheet with a third party. Midasco has requested that Outco forward to Midasco the \$50,000 break fee. To date Midasco has not received the break fee.

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. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about by the pandemic’s impact on its business, results of operations, financial position and cash flows in the future.

## **2. BASIS OF PRESENTATION**

### **Statement of compliance with International Financial Reporting Standards**

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

## **2. BASIS OF PRESENTATION (continued)**

The financial statements were authorized for issue by the Board of Directors on February 2, 2021

### **Basis of preparation**

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

### **Use of estimates and judgments**

#### *Significant estimates and assumptions*

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is risk of material adjustments to assets and liabilities in future accounting periods include estimates of the recoverability and measurement of deferred tax assets, and contingent liabilities.

#### *Significant judgments*

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include the classification of financial instruments and the going concern basis of accounting.

### **Foreign currency transactions**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income into the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

### **Income taxes**

#### Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

**MIDASCO CAPITAL CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

**Share-based payments**

The Company grants stock options to buy common shares of the Company through its stock option plan as described in Note 4. The Company accounts for share-based payments using the fair value method. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

**Financial instruments**

The classification and measurement of the Company's financial instruments is set out below:

Financial Instrument	Classification – IFRS 9
Cash	FVTPL
Accounts payable and accrued liabilities	Amortized Cost

Financial assets

The Company classifies its financial assets into the following categories, depending on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition.

*Amortized cost* - Amortized cost are those assets which are held within a business whose objective is to hold financial assets to collect contractual cash flows; and the terms of the financial assets must provide on specified dates cash flows solely through the collection of principal and interest.

**MIDASCO CAPITAL CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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*Fair value through profit or loss ("FVTPL")* - A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or FVTOCI. The Company may however make the irrevocable option to classify particular investments as FVTPL. The Company has classified cash as FVTPL.

*Fair value through other comprehensive income ("FVTOCI")* - FVTOCI assets are those assets which are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial assets give rise on specified dates to cash flows solely through the collection of principal and interest.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the statement of comprehensive loss for the year.

Financial liabilities

Management determines the classification of its financial liabilities at initial recognition.

*Amortized cost* - The Company classifies all financial liabilities as subsequently measured at amortized cost using the effective interest method, except for financial liabilities carried at FVTPL and certain other exceptions.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Impairment of financial assets at amortized cost

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

**Derecognition**

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive loss.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive loss.

**MIDASCO CAPITAL CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Expressed in Canadian Dollars

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**Share capital**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, and share warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new shares, and warrants are recognized as a deduction from equity, net of tax.

*Valuation of equity units issued in private placements*

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of common shares issued in private placements was determined to be the more easily measurable component and are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to attached warrants. Any fair value attributed to warrants is recorded to warrants reserves.

**Income (loss) per share**

Basic income (loss) per share is calculated by dividing the net earnings available to common shareholders divided by the weighted average number of common shares outstanding during the year. The diluted earnings per share are calculated based on the weighted average number of common shares outstanding during the year, plus the effects of the dilutive common share equivalents. This method requires that the dilutive effect of outstanding options and warrants issued be calculated using the treasury stock method. This method assumes that all common share equivalents have been exercised at the beginning of the year (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of common shares during the year.

**Leases**

The Company adopted IFRS 16 in its financial statements on January 1, 2019. The standard contains a single lessee accounting model, eliminating the distinction between operating and financing leases from the perspective of the lessee. The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements, effective for annual reporting periods beginning on or after January 1, 2019. The adoption of this standard did not have a significant effect on the Company's financial statements as the Company does not have any leases.

**3. FINANCIAL RISK AND CAPITAL MANAGEMENT**

**Management of Industry and Financial Risk**

The Company was engaged primarily in mineral exploration and managed related industry risk issues directly. The Company is currently inactive and seeking new business opportunities. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its prior operations.

The Company's financial instruments are exposed to certain financial risks, which include the following:

***Credit risk***

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash and sales tax receivables. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies. Sales tax receivables comprise refundable sales tax credits from the Canadian federal government.

**MIDASCO CAPITAL CORP.**  
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***Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company ensures that there is sufficient capital in-order to meet short-term operating requirements, after taking into account the Company's holdings of cash. Liquidity risk has been assessed as high.

***Foreign exchange risk***

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not have any direct exposure to foreign exchange risk.

***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

***Capital management***

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, net of cash and cash equivalents. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

**4. SHARE CAPITAL AND RESERVES**

**Share Capital**

Authorized share capital of the Company consists of an unlimited number of fully paid common shares without par value.

***For the year ended December 31, 2020***

There was no share capital activity during this year.

***For the year ended December 31, 2019***

There was no share capital activity during this year.

**Stock Options**

Under TSX Venture Exchange NEX policies the Company has reserved for issuance 1,227,336 common shares as incentive stock options available for issuance to directors and employees of the Company. The exercise price, term and vesting provisions are authorized by the Board of Directors at the time of the grant. There were no stock options outstanding at December 31, 2020 and December 31, 2019.

**Warrants**

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

**MIDASCO CAPITAL CORP.**  
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**Equity settled benefits and warrant reserve**

Equity settled benefits reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount remains in reserves. Warrant reserve records the value of warrants until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount remains in reserves.

**5. RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. The Company has identified its directors and officers as its key management personnel.

	<b>December 31, 2020</b>	December 31, 2019
	\$	\$
Office and general	<b>18,000</b>	<b>4,500</b>
Professional	<b>12,000</b>	<b>11,500</b>
Consulting	<b>34,500</b>	<b>53,500</b>

As at December 31, 2020, \$152,500 was owing to related parties of the Company (2019 - \$104,500). Balances owing to related parties are unsecured, did not bear interest, and had no fixed terms of payments.

**6. INCOME TAX**

A reconciliation of the expected income tax provision to the actual income tax provision is as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
	\$	\$
Net loss	(91,980)	(75,741)
Statutory tax rate	27%	27%
Expected income tax recovery at the statutory tax rate	(24,835)	(20,450)
Non-deductible items and other	(160)	(381)
Temporary differences not recognized	24,995	20,831
Income tax provision	-	-

**MIDASCO CAPITAL CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
Expressed in Canadian Dollars

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The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
	\$	\$
Non-capital loss carry-forwards	884,763	859,768
Exploration and evaluation assets	434,097	434,097
Tax basis of investments in excess of book value	197,122	197,122
Equipment	1,194	1,194
Capital losses	365,976	365,976
	<b>1,883,152</b>	<b>1,858,157</b>

The tax pools relating to these deductible temporary differences expire as follows: non-capital losses – \$3,276,902 expiring between 2026 through 2040; net capital losses of \$2,710,932 and resource pools of \$1,607,768 – no expiry.