

EARTHWORKS INDUSTRIES INC.
CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2020

(Expressed in Canadian Dollars)



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Independent Auditor's Report

To the Shareholders of Earthworks Industries Inc.

Opinion

We have audited the consolidated financial statements of Earthworks Industries Inc. ("the Group"), which comprise the consolidated statements of financial position as at November 30, 2020 and November 30, 2019 and the consolidated statements of comprehensive loss, changes in shareholders' 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 Group as at November 30, 2020 and November 30, 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 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit 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 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group'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 audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information 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 in this auditor's report. 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are

responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

"Crowe MacKay LLP"

**Chartered Professional Accountants
Vancouver, Canada
March 25, 2021**

EARTHWORKS INDUSTRIES INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

as at November 30, 2020 and 2019

	November 30 2020	November 30 2019
ASSETS		
Current Assets		
Cash	\$ 68,898	\$ 7,524
Accounts receivable	28,770	490
Prepaid expenses	<u>16,024</u>	<u>15,389</u>
	113,692	23,403
Equipment (note 5)	1,553	2,254
Cortina Landfill Project (note 6)	<u>10,821,782</u>	<u>10,997,776</u>
	\$ <u>10,937,027</u>	\$ <u>11,023,433</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (note 10)	\$ 477,703	\$ 490,439
Notes payable (note 7)	751,476	694,781
Advances from Cortina Landfill Company (note 6)	356,537	-
Accrued interest on convertible loans (note 8)	<u>367,623</u>	<u>337,510</u>
	1,953,339	1,522,730
Long Term Liabilities		
Advances from Cortina Landfill Company (note 6)	<u>7,142,071</u>	<u>7,298,145</u>
	9,095,410	8,820,875
SHAREHOLDERS' EQUITY		
Share capital (note 9)	20,774,140	20,197,640
Private placement advances	112,500	15,000
Reserves (note 9)	3,139,411	3,072,637
Accumulated other comprehensive income	709,009	792,053
Deficit	<u>(22,893,443)</u>	<u>(21,874,772)</u>
	<u>1,841,617</u>	<u>2,202,558</u>
	\$ <u>10,937,027</u>	\$ <u>11,023,433</u>

Nature of Business, Continued Operations and Going Concern (note 1)
Subsequent Events (note 15)

Approved on Behalf of the Board on March 25, 2021:

David Atkinson
 Director

Calvin Woroniak
 Director

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

EARTHWORKS INDUSTRIES INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

For the Years Ended November 30, 2020 and 2019

	2020	2019
Administration Costs		
Amortization	\$ 701	\$ 966
Bank charges and interest (note 10)	29,811	31,721
Consulting fees	51,860	1,500
Convertible loan interest (note 8)	29,721	27,989
Directors' fees (note 10)	36,000	29,250
Interest on advances from Cortina Landfill Company	433,242	426,162
Management salaries (note 10)	131,771	133,355
Office and administrative costs	28,370	27,015
Professional fees (note 10)	123,651	133,650
Promotion	4,074	3,952
Rent and parking	21,460	27,951
Salaries and benefits	35,101	35,100
Share based compensation	66,774	167,599
Stock exchange and filing fees	13,262	8,210
Telephone and internet	5,515	5,845
Transfer agent	4,578	12,894
Travel	2,780	3,278
Gain on settlement of debt (Note 14)	-	(140,012)
Loss for the year	1,018,671	936,425
Other Comprehensive (Income) Loss		
Exchange difference on translation of foreign operations	83,044	7,671
Comprehensive loss for the year	\$ 1,101,715	\$ 944,096
Basic and diluted loss per share	\$ 0.01	\$ 0.01
Weighted average number of common shares outstanding - basic and diluted	79,112,099	71,414,291

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

EARTHWORKS INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
For the Years Ended November 30, 2020 and 2019

	2020	2019
Operating Activities		
Net loss for the year	\$ (1,018,671)	\$ (936,425)
Adjust for non-cash items:		
Amortization	701	966
Interest on advances from Cortina Landfill Company	433,242	426,162
Interest	29,218	30,955
Convertible loan interest	29,721	27,989
Share based compensation	66,774	167,599
(Gain) loss on settlement of debt (Note 14)	-	(140,012)
	<u>(459,015)</u>	<u>(422,766)</u>
Change in non-cash working capital accounts (note 14)	<u>6,974</u>	<u>86,888</u>
	<u>(452,041)</u>	<u>(335,878)</u>
Financing Activities		
Share capital issued for cash	462,500	380,000
Cash for private placement advances	112,500	15,000
Share issue costs	(3,500)	(8,750)
Repayment of accrued interest	(10,253)	-
Demand loans received	47,730	-
	<u>608,977</u>	<u>386,250</u>
Investing Activities		
Landfill project deferred costs	<u>(95,562)</u>	<u>(133,627)</u>
	<u>(95,562)</u>	<u>(133,627)</u>
Increase (decrease) in cash	61,374	(83,255)
Cash, beginning of year	<u>7,524</u>	<u>90,779</u>
Cash, end of year	\$ <u>68,898</u>	\$ <u>7,524</u>
Interest paid (received)	\$ <u>10,253</u>	\$ <u>-</u>

Supplementary Cash Flow Information (Note 14)

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

EARTHWORKS INDUSTRIES INC.

CONSOLIDATED SCHEDULE OF CORTINA LANDFILL PROJECT COSTS

(Expressed in Canadian Dollars)

For the Years Ended November 30, 2020 and 2019

	2020	2019
Cortina Landfill Project		
Project Engineering	\$ 95,562	\$ 133,627
Exchange Adjustment	(271,556)	(9,810)
Project Costs, beginning of the year	<u>10,997,776</u>	<u>10,873,959</u>
Project Costs, end of the year	<u>\$ 10,821,782</u>	<u>\$ 10,997,776</u>

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

EARTHWORKS INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Expressed in Canadian Dollars
For the Years Ended November 30, 2020 and 2019

	Number of Shares	Amount	Share Subscription Advances	Share Based Payment Reserves	Equity Portion of Convertible Loans	Accumulated Other Comprehensive Income - cumulative translation adjustment	Deficit	Total
Balance, November 30, 2018	66,803,332	19,781,390	-	2,615,439	289,599	799,724	(20,938,347)	2,547,805
Shares issued for private placement	8,500,000	425,000	-	-	-	-	-	425,000
Advances on private placement	-	-	15,000	-	-	-	-	15,000
Share issue costs	-	(8,750)	-	-	-	-	-	(8,750)
Share based compensation	-	-	-	167,599	-	-	-	167,599
Other comprehensive loss	-	-	-	-	-	(7,671)	-	(7,671)
Net loss for the year	-	-	-	-	-	-	(936,425)	(936,425)
Balance, November 30, 2019	75,303,332	\$ 20,197,640	\$ 15,000	\$ 2,783,038	\$ 289,599	\$ 792,053	\$ (21,874,772)	\$ 2,202,558
Shares issued for private placement	2,200,000	220,000	(15,000)	-	-	-	-	205,000
Shares issued for warrants	3,600,000	360,000	-	-	-	-	-	360,000
Advances on private placement	-	-	112,500	-	-	-	-	112,500
Share issue costs	-	(3,500)	-	-	-	-	-	(3,500)
Share based compensation	-	-	-	66,774	-	-	-	66,774
Other comprehensive loss	-	-	-	-	-	(83,044)	-	(83,044)
Net loss for the year	-	-	-	-	-	-	(1,018,671)	(1,018,671)
Balance, November 30, 2020	81,103,332	\$ 20,774,140	\$ 112,500	\$ 2,849,812	\$ 289,599	\$ 709,009	\$ (22,893,443)	\$ 1,841,617

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

1 Nature of Business, Continued Operations and Going Concern

Earthworks Industries Inc. (the "Company") is incorporated under the laws of British Columbia, Canada and management has determined that the Company is in the development stage based on the fact it has no operations, no significant revenues and has not completed the landfill project. Its office is located at Suite 615, 800 West Pender Street, Vancouver, BC V6C 2V6.

The Company has completed an environmental impact study of a landfill project through its wholly-owned subsidiary, Cortina Integrated Waste Management Inc. ("CIWM") and received a Record of Decision to approve its lease to construct and operate the site from the United States Department of the Interior - Bureau of Indian Affairs ("BIA") in 2000. Final approval of the lease was issued in January 2007. Notice of termination of this lease was given by the BIA on August 19, 2013. The Company filed and, on October 29, 2015, succeeded in its Appeal to the Interior Board of Indian Affairs (IBIA).

Notice of termination of this lease was issued again by the BIA on March 1, 2019. The Company has filed an appeal to the BIA.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The establishment of operations by the Company and the recoverability of the amount shown for the landfill project is dependent upon the ability of the Company to obtain necessary financing, and maintaining the lease to construct and operate its site in good standing to complete the development of the landfill operation and commence future profitable operations. Management will pursue future equity financings and continued loans from related and other parties. In March 2020, there was a global outbreak of a novel coronavirus identified as "COVID-19". The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and specifically, the regional economies in which the Company operates. The pandemic could result in delays in the course of business and could have a negative impact on the Company's ability to raise new capital. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. Accordingly, the consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, contingent obligations and commitments other than in the normal course of business and at amounts different from those in the consolidated financial statements.

In March 2019 the Company renegotiated repayment terms for the payment of the Advances from Cortina Landfill Company ("CLC"). The amended terms provides for the principal amount of US\$4,644,916 to be paid over 9 years by 8 annual payments of US\$500,000 commencing March 31, 2021 with a final payment for the remaining balance (see Note 6). The agreement provided for a payout option of US\$2,250,000 if paid on or before March 31, 2022.

In February, 2021 the Company renegotiated repayment terms for the payment of the Advances from CLC. The amended terms replaced the February 31, 2021 payment of US\$500,000 with a payment of 1,575,000 shares of the Company valued at US\$250,000 as well as two payments of US\$12,500 each in March 2021 and August 2021 with the remaining payable as per Note 6.

2 Significant Accounting Policies

a) Basis of Presentation

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretation Committee ("IFRIC"). These consolidated financial statements have been prepared on the basis of IFRS that are effective for the Company's reporting year ended November 30, 2020.

These consolidated financial statements have been prepared on a historical basis except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

b) Consolidation of Financial Statements

These condensed consolidated interim financial statements include the accounts of the Company and CIWM, a subsidiary incorporated in the State of California on July 19, 1994. A wholly-owned subsidiary is an entity in which the Company has control, directly or indirectly, where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. References to "the Company" include Cortina Integrated Waste Management, Inc. Intercompany balances and transactions have been eliminated upon consolidation.

c) Financial Instruments

Financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI), and fair value through profit and loss (FVTPL).

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company measures its cash and accounts receivables at amortized cost.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

The Company does not have any financial assets measured at FVOCI or FVTPL.

2 Significant Accounting Policies (continued)

c) Financial Instruments (continued)

Impairment on Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities

Financial liabilities at amortized cost including accounts payable and accrued liabilities, Notes payable, advances from Cortina Landfill Company and accrued interest on convertible debt are subsequently measured at amortized cost, using the effective interest method.

International Financial Reporting Standard 7, Financial Instruments Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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 (i.e. as prices) or indirectly (i.e. derived from prices); and

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

The Company's financial instruments include: cash, amounts receivable, accounts payable and accrued liabilities, due to related parties, notes payable, interest on convertible loans, and advances from Cortina Landfill Company. The carrying value of the financial instruments approximates their fair values. There were no assets or liabilities recorded at fair value as at November 30, 2020 and November 30, 2019.

Compound Financial Instruments

Compound financial instruments issued by the Company comprise convertible debentures that can be converted into shares of the Company at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to the initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition. Interest, dividends, losses and gains relating to the financial liability are recognized in profit or loss. When the conversion option is exercised, the consideration received is recorded as share capital and the equity component of the compound financial instrument is transferred to share capital.

When the Company extinguishes convertible debentures before maturity through early redemption or repurchase where the conversion option is unchanged, the Company allocates the consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the instrument at the date of settlement. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with the method used in the original allocation to the separate components of the proceeds received by the entity when the convertible instrument was issued. The amount of gain or loss relating to the early redemption or repurchase of the liability component is recognized in profit or loss. The amount of consideration relating to the equity component is recognized in equity.

Derecognition of Financial Assets

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

Derecognition of Financial Liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled, or they expire.

d) Cortina Landfill Project Costs

The Company is proceeding with final federal approvals with respect to the development of the Cortina Landfill Project and accordingly follows the practice of capitalizing all costs related to the project until such time as the project is put into commercial use, sold or abandoned. If commercial use commences, the capitalized costs will be amortized on a units of production basis. If the project is abandoned, the related capitalized costs will be written-off to profit or loss.

The amounts shown for the Cortina Landfill Project represent costs to date and are not intended to reflect present or future values. The actual amounts to be recovered from the project are uncertain and not determinable until the project is completed. Changes in future conditions could require a material change in the recognized amount.

e) Equipment

Equipment is carried at cost less accumulated amortization. Amortization is provided using the declining balance method at the following annual rates:

Computer equipment	30%
Office equipment	20%

In the year of acquisition, amortization is recorded at one-half the normal rate.

2 Significant Accounting Policies (continued)

f) Loss Per Share

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of shares outstanding during the period. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of shares outstanding used in the calculation of diluted loss per share assumes that the deemed proceeds received from the exercise of stock options, share purchase warrants and their equivalents would be used to repurchase common shares of the Company at the average market price during the period.

Existing stock options, share purchase warrants and convertible loans have not been included in the computation of diluted loss per share as to do so would be anti-dilutive. Accordingly, basic and diluted loss per share are the same.

g) Foreign Currency Translation

The functional currency of each of the parent company and its subsidiary is measured using the functional currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars, which is the parent company's functional and presentation currency. The functional currency of the subsidiary is the United States dollar.

Transactions and balances:

Foreign currency transactions are translated into the functional currency using 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 valued at their 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 profit or loss in the statement of comprehensive loss in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income.

Where a non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Parent and Subsidiary Companies (Group):

The financial results and position of foreign operations whose functional currency is different from the presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at the reporting date
- income and expenses are translated at monthly average exchange rates

Exchange differences arising on translation of foreign operations are transferred directly to exchange difference on translation of foreign operations in other comprehensive loss. These differences are recognized in profit or loss in the period in which the operation is disposed of.

h) Share-Based Compensation

The Company has a stock option plan that allows certain officers, directors, consultants, and related company employees to acquire shares of the Company. The fair value of the options is recognized as an expense with a corresponding increase in equity.

Share-based payments to employees and others providing similar services are measured at grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche awarded with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Share-based payments to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date or the date the goods or services are received.

Share-based payments are recorded as an operating expense and as contributed surplus. When options are exercised, the consideration received is recorded as share capital. In addition, the related share based payments originally recorded as contributed surplus are transferred to share capital.

2 Significant Accounting Policies (continued)

i) Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of comprehensive loss except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity, in which case the income tax is also recognized directly in other comprehensive income or equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for operating losses or tax credits. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the deferred tax asset is realized or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

j) Share Issue Costs

Share issue costs incurred on the issue of the Company's shares are charged directly to share capital.

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

l) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets requiring a substantial period of time to get ready for their intended use or sale are capitalized as part of the cost of that asset.

m) Significant Accounting Estimates and Judgments

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

Critical Accounting Estimates:

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

- the assessment of the Cortina Landfill Project assets included in the statements of financial position for indicators of impairment;
- the inputs used in accounting for share-based compensation; and
- the recognition of deferred income tax assets.

Critical Judgments:

Critical judgments include the analysis of the functional currency for each entity of the Company and the going concern assessment (see Note 1). In concluding that the Canadian dollar and the US dollar are the functional currencies of the parent and its subsidiary respectively, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates.

n) Long-lived assets

At the end of each reporting period the carrying value of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, 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 unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell or value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to the 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2 Significant Accounting Policies (continued)

o) Restoration, Rehabilitation, and Environmental Obligations

An obligation to incur restoration, rehabilitation or environmental costs arises when environmental disturbance is caused. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditures is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the landfill operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate net present value. These costs are charged against profit or loss over the economic life of the related asset through amortization using either the unit of production or the straight line method. The corresponding liability is progressively increased as the effect of discounting unwinds, creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capital cost of the related assets, in which case the capitalized cost is reduced to \$nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation or environmental obligations as the disturbance to date is insignificant.

p) Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretive Committee that are mandatory for accounting periods beginning after January 1, 2020 or later periods. These standards are not expected to have a material impact on the Company.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments to IAS 1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for the reporting dates beginning on or after January 1, 2023.

q) Adoption of New Accounting Standards

IFRS 16 Leases

On November 1, 2019, the Company adopted IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, International Accounting Standard ("IAS") 17 Leases. The Company has elected to apply IFRS 16 using a modified retrospective approach, which does not require restatement of prior period financial information. Modified retrospective application recognizes the cumulative effect of IFRS 16 as an adjustment to opening deficit at November 1, 2019 and applies the standard prospectively. The Company has determined that at December 1, 2019, adoption of IFRS 16 did not result in a material impact to the financial statements.

3 Financial Instruments and Financial Risk Management

a) Financial Instruments

The Company had no fair-value-through-profit-or-loss financial assets as at November 30, 2020 and November 30, 2019.

b) Financial Risk Management

(i) Overview:

The Company has exposure to credit risk, liquidity risk and market risk. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

(ii) Credit Risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. At November 30, 2020, substantially all of the Company's cash was held at a recognized Canadian National financial institution. As a result, the Company was exposed to all of the risks associated with that institution. The Company has no accounts receivable at the current year end and as the Goods and Services tax recoverable is recoverable from the federal Government of Canada, the Company does not currently face significant credit risk.

(iii) Liquidity Risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company regularly reviews its current obligations, and to the extent that the Company may not have sufficient liquidity to meet these obligations, management considers securing additional funds through equity or debt transactions.

3 Financial Instruments and Financial Risk Management (continued)

(iv) Market Risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its financial instruments.

The Company is developing its Landfill Project in California, and as a result is subject to currency risk. Project costs are denominated in U.S. dollars and the loan advanced by Cortina Landfill Company ("CLC") to finance much of the ongoing cost is also in U.S. dollars. To this point in time the Company does not hedge the risk related to the fluctuations in the exchange rate between the U.S. and Canadian dollar as it relates to the Company's obligations. Management may decide to consider hedging the risk in the future.

		November 30, 2020		November 30, 2019
Accounts payable and accrued liabilities - U.S dollars	\$	(16,602)	\$	(37,498)
Advances from Cortina Landfill Company and accrued interest - U.S. dollars	\$	(5,783,731)	\$	(5,491,868)

U.S. Dollars are translated at Cdn \$1.2965 at November 30, 2020 (2019 - Cdn \$1.3289).

At November 30, 2020, if the U.S. dollar had strengthened 10 percent against the Canadian dollar with all other variables held constant, the comprehensive loss for the year would have been \$578,000 higher (2019 - \$549,000). Conversely, if the U.S. dollar had weakened 10 percent against the Canadian dollar with all other variables held constant, the comprehensive loss would have been \$578,000 lower (2019 - \$549,000).

The Company is subject to interest rate risk on its notes payable as the interest is tied to Royal Bank of Canada's prime rate ("Prime"). However, lending rates are currently low and management considers the loans to be short term and the interest rate risk is not considered material.

(v) Fair Value of Financial Instruments:

The carrying values of cash, accounts payable and accrued liabilities, advances from Cortina Landfill Company, notes payable and the liability component and accrued interest on convertible loans approximate their fair values due to the relatively short periods to maturity and terms of these financial instruments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

4 Capital Structure and Management

The Company manages its capital to maintain its ability to continue as a going concern, to meet its financial obligations and to provide benefits to its shareholders and other stakeholders. The capital structure of the Company consists of shareholders' equity comprised of issued capital, share subscription advance, equity portion of convertible loans, contributed surplus, accumulated other comprehensive income and deficit.

The Company manages its capital structure and makes changes to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company, with the approval of the Board of Directors, will continue to balance its overall capital structure through new share or debt issuances or by other activities as deemed appropriate.

There were no changes to the Company's approach to capital management during the years ended November 30, 2020 and 2019. The Company is not subject to externally imposed capital requirements.

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5 Equipment

		Computer equipment		Office equipment		Total
Cost						
November 30, 2018	\$	27,662	\$	14,586	\$	42,248
Additions		<u>-</u>		<u>-</u>		<u>-</u>
November 30, 2019	\$	27,662	\$	14,586	\$	42,248
Additions		<u>-</u>		<u>-</u>		<u>-</u>
November 30, 2020	\$	27,662	\$	14,586	\$	42,248
Accumulated amortization						
November 30, 2018	\$	24,442	\$	14,586	\$	39,028
Amortization		<u>966</u>		<u>-</u>		<u>966</u>
November 30, 2019	\$	25,408	\$	14,586	\$	39,994
Amortization		<u>701</u>		<u>-</u>		<u>701</u>
November 30, 2020	\$	26,109	\$	14,586	\$	40,695
Net book value						
November 30, 2019	\$	<u>2,254</u>	\$	<u>-</u>	\$	<u>2,254</u>
November 30, 2020	\$	<u>1,553</u>	\$	<u>-</u>	\$	<u>1,553</u>

6 Cortina Landfill Project

The Company has negotiated a Business Lease and completed an Environmental Impact Statement for an integrated waste management project located on the Cortina Indian Rancheria in Colusa County, California. The BIA issued final approval of the Lease in January 2007, and the Wintun Environmental Protection Agency, Board of Commissioners, issued the Authority to Construct in October 2008.

The Company leased a portion of the land located within the Cortina Indian Rancheria in Colusa County, California, for the purpose of developing and operating a sanitary landfill and materials recovery facility for an initial term of twenty-five years (with a renewal term of an additional twenty-five years), which commenced on the date the lease was approved for consideration of:

- (i) \$10,000 U.S. payable within 21 days of the lease being approved by the BIA;
- (ii) \$15,000 U.S. per month commencing the first month following the month in which commercial production commences, with monthly payments being indexed on an annual basis according to increases in the Cost of Living Index as published by the United States Government; and
- (iii) Fees equal to 3% of gross revenue on the first 150,000 tonnes of waste received in a fiscal year, to be calculated and paid monthly, and 5% of gross revenue for waste in excess of 150,000 tonnes received in a fiscal year.

The Company also agreed to pay all of the Cortina Tribe's reasonable attorney fees and costs incurred by Tribal officials and attorneys in carrying out their obligations under this Agreement.

In April 2007, an agreement was signed to sell 50% of the issued shares of Cortina Integrated Waste Management (CIWM), the Company's wholly-owned subsidiary and the owner and developer of the project, to the Cortina Landfill Company (CLC), a 100% owned subsidiary of North Bay Corporation ("North Bay") of Santa Rosa, California. On December 23, 2009, North Bay and CLC notified Earthworks that they would not be exercising their option to acquire 50% of the issued shares of CIWM nor continue funding the development of its waste management facility in Colusa County, California. Subsequently, a number of agreement amendments and extensions were agreed to (in U.S. dollars).

On October 26, 2008, the Wintun Environmental Protection Agency issued the Authority to Construct for the Class III Municipal Solid Waste Landfill portion of the project.

On August 19, 2013, the Company received a Notice of Termination of its lease on the Cortina Rancheria. On September 16, 2013, an appeal was filed with the Interior Board of Indian Appeals (IBIA) challenging the validity and sufficiency of the reasons for the termination by the Bureau of Indian Affairs. The Company filed its required opening brief of the appeal on February 3, 2014. On October 29, 2015, the IBIA, U.S. Department of the Interior, issued its Order reversing the decision of the Regional Director thereby reinstating the Lease.

The Company received a second notice dated March 1, 2019 from the US Bureau of Indian Affairs advising that the Lease held by the Company with the Kletsel Dehe Band of Wintun Indians has been terminated. The Company believes that the allegations are unfounded and will not be upheld. The Company has filed an appeal.

6 Cortina Landfill Project (continued)

Cancellation and Replacement of the Agreement

In February 2021 the Company entered into an amended agreement for the loan payable to North Bay/CLC. Sections of the March 2019 amended agreement and subsequent amendments, has been cancelled and replaced as follows:

The amended agreement provides for the principal amount of US\$4,644,916, with instalments payable annually commencing March 31, 2021. The payout option of the amended agreement has increased to US\$2,375,000 and the deadline for the exercise of the payout option is extended to March 31, 2022. In addition, the Company will issue US\$250,000 of shares and two payments of US\$12,500 in March and August of 2021. During the year ended November 30, 2020 the interest rate and other key terms remained unchanged. Simple interest accrued at a rate of 7% per annum; and in the event the Company signs and closes an arms length agreement to sell 100% of the shares of the Company exceeding the balance amount, the following will result:

- i) The Company will pay to CLC the whole amount of the balance amount and accrued interest owing; and
- ii) The Company will pay to CLC 10% of the amount received less the amount paid in part (i) and less the Company's direct investment and costs into the project being US\$6,720,633.

<u>Advances from CLC</u>	<u>November 30, 2020</u>		<u>November 30, 2019</u>	
Beginning of year	\$	7,298,145	\$	6,902,908
Repayments		(37,500)		(25,000)
Accrued interest		433,242		426,194
Foreign exchange adjustment		(195,279)		(5,957)
Balance, end of year		<u>7,498,608</u>		<u>7,298,145</u>
Less: Current portion		356,537		-
Non-current portion	\$	<u>7,142,071</u>	\$	<u>7,298,145</u>

The following repayment terms are based on the February 2021 amendment.

	<u>Principal (USD)</u>	<u>Due Date</u>
\$	262,500	March 31, 2021
	12,500	August 31, 2021
	500,000	March 31, 2022
	500,000	March 31, 2023
	500,000	March 31, 2024
	500,000	March 31, 2025
	500,000	March 31, 2026
	500,000	March 31, 2027
	500,000	March 31, 2028
	<u>869,916</u>	March 31, 2029
\$	<u>4,644,916</u>	

Payout Option

Earthworks has been granted an option ("Payout Option") to wholly settle the Balance Amount and all accrued interest by paying North Bay/CLC, on or before March 31, 2022, US\$2,375,000.

7 Notes Payable

	<u>November 30, 2020</u>	<u>November 30, 2019</u>
Notes payable, unsecured, at cost plus accrued interest at Royal Bank prime plus 3% per annum. The loans are convertible at the holders option into common shares of the Company at the discounted market price of the shares on the date the notice of conversion is given. The principal and interest has been repaid.	\$ nil	\$ 10,253
Notes payable, unsecured bearing interest at Prime + 2% per annum and matures 90 days from the agreement date (February 27, 2013 - November 1, 2013). Additionally, a 10% financing fee is satisfied on Maturity Date or closing on any private placement prior to Maturity Date. The lender may, if the Company announces a private placement of its common shares prior to Maturity Date, elect to have all or a portion of the principal and fee applied to the purchase of shares in the private placement at the same net (after commissions being paid) price being charged by the Company to other investors.	146,237	140,958
Notes payable, unsecured bearing interest at Prime + 3% per annum and matures 90 days from the agreement date (March 4, 2013 - November 13, 2014). Additionally, a 10% financing fee is satisfied on Maturity Date or closing on any private placement prior to Maturity Date. The lender may, if the Company announces a private placement of its common shares prior to Maturity Date, elect to have all or a portion of the principal and fee applied to the purchase of shares in the private placement at the same net (after commissions being paid) price being charged by the Company to other investors.	557,509	543,570
Note payable, unsecured, at cost. Interest accrues at 7%. The loan and accrued interest is due March 31, 2021 but was repaid in December 2020.	47,730	nil
	<u>\$ 751,476</u>	<u>\$ 694,781</u>

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8 Convertible Loans (see note 10f)

In June 2011, the Company issued two convertible loans in the amounts of \$700,000 and \$25,000. The lenders had the option to, in whole or in part and from time to time, until May 31, 2014 (the "Maturity Date") convert all or portions of the loaned funds to the acquisition of Units – one Unit to be issued for each \$0.30 of loan converted. Each Unit consisted of one share of the Company and one-half of a share purchase warrant. Each whole warrant entitled the holder to purchase an additional share of the Company for a price of \$0.43 per share until the Maturity Date. The Convertible Loans are divided between a liability component and an equity component. The liability component represents the present value of the term debt discounted using the discount rate that would have been applicable to non-convertible debt. The equity component was determined as the residual of the face value of the debt less the liability component. This balance was accreted over the period of the loans using the effective-interest-rate method at a weighted average effective interest rate of 33.94% and included in convertible loan interest and accretion expense.

The loans bear interest until they are converted or repaid at 8.5% per annum, compounded monthly. Any principal or interest which has not been prepaid or converted was payable on the Maturity Date.

The lenders made the loans to the Company on an unsecured basis. They were issued 362,500 shares in the capital of the Company as bonuses. These shares are valued at \$0.35 per share. In 2014, the Company repaid \$525,000 in principal of the convertible loan. The Debtholder agreed to extend the term of the remaining principal balance of \$200,000 and unpaid accrued interest of \$210,231 until May 31, 2015.

In June and October 2015, the Company paid \$59,500 to retire \$59,500 in principal of the remaining convertible loan. The debtholder reinvested in the private placement share offering on June 3, 2015 (\$39,500) and October 1, 2015 (\$20,000). At November 30, 2015, the remaining obligation included the remaining principal balance of \$140,500 and unpaid accrued interest of \$244,550.

During the year ended November 30, 2015, the debtholder agreed to extend the term of the remaining convertible loan until November 30, 2016. During the year ended November 30, 2016 the debtholder agreed to extend the term of the remaining convertible loan until November 30, 2017. Upon extension, the remaining convertible loan was divided between a liability component and an equity component. The liability component represents the present value of the term debt discounted using the discount rate that would have been applicable to non-convertible debt. The equity component was determined as the residual of the face value of the debt less the liability component. The balance is accreted over the period of the remaining convertible loan using the effective-interest-rate method. At November 30, 2020 the principal obligation has been paid and unpaid accrued interest of \$367,623 (2019 - \$337,510) remains outstanding.

	Year ended November 30, 2020	Year ended November 30, 2019
Accrued interest	\$ 29,721	\$ 27,989
Accretion	-	-
Convertible loan interest and accretion for the year	<u>\$ 29,721</u>	<u>\$ 27,989</u>

9 Share Capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

Transactions for the Issue of Share Capital During the Year ended November 30, 2020:

Transaction	Date of Issue	Shares issued	Amount	Warrants issued
Warrants exercised (1)	13-May-20	3,600,000	\$ 360,000	-
Units issued (2)	20-Jan-20	<u>2,200,000</u>	<u>\$ 220,000</u>	<u>1,100,000</u>
		<u>5,800,000</u>	<u>\$ 580,000</u>	<u>1,100,000</u>

Transactions for the Issue of Share Capital During the Year ended November 30, 2019:

Units issued	13-May-19	<u>8,500,000</u>	<u>\$ 425,000</u>	<u>4,250,000</u>
		<u>6,500,000</u>	<u>\$ 425,000</u>	<u>4,250,000</u>

- (1) On May 13, 2020, 3,600,000 shares were issued on exercise of warrants: 3,075,000 were issued for cash, 275,000 were issued for services and 250,000 shares were issued on settlement of debt.
- (2) On January 20, 2020, 2,200,000 units were issued as part of a private placement: 1,700,000 units were issued for cash, 275,000 units were issued for services and 225,000 shares were issued for settlement of debt. Each unit was issued at \$0.10 consisting of one share and one half of a share purchase warrant exercisable for \$0.15 per share until January 17, 2021.

Stock Options

The Company has adopted an incentive stock option plan (the "Plan"). The essential elements of the Plan provide that the aggregate number of common shares of the Company's capital stock issuable pursuant to options granted under the Plan may not exceed 10% of the number of issued shares of the Company at the time of the granting of the options. Options granted under the Plan will have a maximum term of ten years. The exercise price of options granted under the Plan will not be less than the discounted market price of the common shares (last closing market price of the Company's common shares immediately preceding the issuance of a news release announcing the granting of the options, less the maximum discount permitted under TSX Venture Exchange policies), or such other price as may be agreed to by the Company and accepted by the TSX Venture Exchange. Options granted under the Plan vest immediately, except for options granted to consultants conducting investor relations activities, which become vested with the right to exercise one-fourth of the options upon the conclusion of each three month period subsequent to the grant date.

A summary of the status of the Company's stock option plan as at November 30, 2020 and November 30, 2019, and changes during the years then ended is as follows:

	2020		2019	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options Outstanding, beginning of year	5,950,000	\$ 0.10	5,540,000	\$ 0.20
Expired / Cancelled	-	-	(1,100,000)	0.21
Exercised	-	0.10	-	-
Granted	1,250,000	0.10	1,510,000	0.10
Options Outstanding, end of year	<u>7,200,000</u>	<u>\$ 0.10</u>	<u>5,950,000</u>	<u>\$ 0.10</u>

During the year ended November 30, 2019, the Company re-priced 4,440,000 options to an exercise price of \$0.10 per option, and extended the expiry dates to June 30, 2022. The modified options were re-valued using Black Scholes as of the modification date of June 30, 2019. The modifications resulted in an increase of \$95,583 in share based compensation for the year ended November 30, 2019.

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9 Share Capital (continued)
Stock Options (continued)

The Company has outstanding stock options to acquire 7,200,000 shares of the Company's capital stock as follows:

Number of Options	Exercise Price (\$)	Note	Expiry Date
5,950,000	0.10		June 30, 2022
500,000	0.10	1	June 30, 2022
750,000	0.10	2	July 15, 2021
<u>7,200,000</u>	<u>0.10</u>		

During the year ended November 30, 2020, the Company granted the following stock options:

- 500,000 options expiring June 30, 2022 with an exercise price of \$0.10. 100,000 of these options were exercised in January 2021.
- The Company has entered into a 1-year agreement for investor relations services. Under this agreement, dated April 15, 2020, the provider will be paid \$5,000 per month in the first 3 months and \$7,000 per month for the balance of the 12 months – subject to the Company's right to terminate the Agreement after 3 months. In addition, the Company has granted the service provider options to purchase 750,000 shares of the Company at a price of ten cents (\$0.10) per share. The options will vest in 5 tranches of 150,000 each on April 15, 2020, July 15, 2020, October 15, 2020, January 15, 2021 and April 15, 2021. In the event that the Agreement is terminated prior to April 15, 2021, the outstanding options will also terminate 90 days after the termination.

During the year ended November 30, 2019, the Company granted the following stock options:

1,510,000 options expiring June 30, 2022 with an exercise price of \$0.10.

The fair value of the option granted and re-priced were estimated at the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

	2020	2019
Share price	\$ 0.100	\$ 0.075
Exercise price	\$ 0.10	\$ 0.10
Estimated annual volatility	114.00%	114.00%
Risk-free interest rate	0.69%	1.45%
Expected life (years)	1.71	3
Expected dividend yield	\$ -	\$ -

Annualized volatility is estimated using the historical stock price of the Company.

The following table summarizes information about the stock options outstanding and exercisable at November 30, 2020:

Range of Prices (\$)	Number of Options	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price (\$)
\$0.10	5,950,000	1.58	0.10
\$0.10	500,000	1.58	0.10
\$0.10	750,000	0.62	0.10
	<u>7,200,000</u>	<u>1.50</u>	<u>0.10</u>

Escrow Shares

The Company has no outstanding escrow shares.

Warrants

	2020	2019
Balance, beginning of year	4,250,000	9,348,800
Issued	1,100,000	4,250,000
Exercised	(3,600,000)	-
Expired	(650,000)	(9,348,800)
Balance, end of year	<u>1,100,000</u>	<u>4,250,000</u>
Weighted Avg. Exercise Price	\$ <u>0.15</u>	\$ <u>0.21</u>

During 2019, Earthworks extended the expiry dates of 9,348,800 warrants exercisable at \$0.25, \$0.21 and \$0.20, to May 31, 2019. The warrants expired during 2019.

At November 30, 2020, the Company had warrants outstanding as follows:

Number of Warrants	Exercise Price	Expiry Date
1,100,000	\$ 0.15	January 17, 2021 (exercised in January 2021)
<u>1,100,000</u>		

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10 Related Party Transactions

- a) Management salaries totaling \$131,771 (2019 - \$133,357) were incurred with David Atkinson, CEO/President of the Company.
- b) Directors' fees totaling \$9,000 (2019 - \$9,000) were incurred with a corporation controlled by a Director of the Company.
- c) Directors' fees totaling \$27,000 (2019 - \$18,000) were incurred with Directors of the Company.
- d) Legal fees totaling \$20,807 (2019 - \$35,521) were incurred with a law firm within which a personal law corporation controlled by the Secretary of the Company is a principal.
- e) Accounting fees totaling \$32,400 (2019 - \$33,181) were incurred with a Director and Officer of the Company.
- f) During the current year interest totaling \$29,721 (2019 - \$30,955) was accrued on unpaid accrued interest to a director of the Company. See Note 8.
- g) Notes payable issued for advances by the Secretary of the Company amount to \$10,253 have been repaid in full.
- h) Notes payable issued for advances by a Director of the Company amount to \$403,959 (2019 - \$395,840). During the current year, interest totaling \$18,199 (2019 - \$18,834) was accrued on this debt. \$10,000 of interest was repaid in 2020.
- i) Share based compensation totaling \$15,891 (2019 - \$43,400) was incurred with related parties.

These transactions have been in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Key Management Personnel Compensation

	November 30, 2020	November 30, 2019
Directors' fees	\$ 36,000	\$ 27,000
Accounting fees	32,400	33,000
Management fees and salaries	131,771	133,357
	<u>\$ 200,171</u>	<u>\$ 193,357</u>

The amounts due to related parties included in accounts payable and accrued liabilities were payable to directors and officers. These balances are due on demand, have no specific terms of repayment, are non-interest bearing and unsecured unless otherwise stated; accordingly, fair value cannot be reliably determined.

	November 30, 2020	November 30, 2019
Due to the CEO, President and Director	\$ 157,136	\$ 158,410
Due to Directors	70,000	67,500
Due to a law firm within which a personal law corporation controlled by the Secretary of the Company is a principal	101,896	107,900
	<u>\$ 329,032</u>	<u>\$ 333,810</u>

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11 Income Taxes

Income tax recovery varies from the amount that would be computed from applying the combined federal and provincial tax rate to loss before taxes as follows:

Year ended	November 30, 2020	November 30, 2019
Net loss for the year before tax	\$ (1,018,671)	\$ (936,425)
Statutory Canadian corporate tax rate	27.00%	27.00%
Anticipated tax expenses (recovery)	(275,041)	(252,835)
Change in tax rates	-	-
Tax benefits not recognized	(945)	(2,363)
Non-capital loss expired	325	322
Non-deductible items for tax purposes	18,579	45,726
Difference in tax rates in other jurisdictions	(10,122)	9,376
Unrecognized tax benefits	267,204	199,774
Current and deferred income tax	\$ -	\$ -

The significant components of the Company's deferred tax assets are as follows:

	November 30, 2020	November 30, 2019
Research and development	\$ 1,582,968	\$ 1,493,168
Equipment	17,144	16,954
Non-capital loss carry forwards	2,020,415	1,892,276
Share issue costs	2,174	1,890
Note payable	41,416	76,345
Convertible debenture	83,571	33,533
Unrecognized tax assets	(3,747,688)	(3,514,166)
Net deferred tax assets	\$ -	\$ -

The Company has approximately the following available non-capital losses for Canadian income tax purposes which may be carried forward to reduce taxable income in future years. If not utilized, the non-capital losses of approximately \$7,261,000 expire as follows:

2026	\$ 380,000
2027	522,000
2028	562,000
2029	479,000
2030	592,000
2031	774,000
2032	728,000
2033	293,000
2034	608,000
2035	457,000
2036	415,000
2037	524,000
2038	480,000
2039	31,000
2040	416,000
2026 - 2040	\$ 7,261,000

At November 30, 2020 the Company has unclaimed landfill costs for Canadian income tax purposes in the amount of \$235,621 (2019 - \$235,621) which may be deducted against future taxable income on a discretionary basis.

The Company has available tax loss carry forwards of approximately US\$155,000 (2019 - US\$111,000) which may be carried forward to reduce taxable income in the United States in future years. If not utilized, the available loss carry forwards expire between 2018 and 2038.

At November 30, 2020, the Company has unclaimed landfill costs for US income tax purposes in the amount of approximately US\$12,274,200 (2019 - US\$9,679,800) which may be deducted against future taxable income on a discretionary basis.

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12 Segmented Information

The Company's activities are all in one industry segment of waste disposal.

Property and equipment by geographical segments is as follows:

	Canada	United States	Total
November 30, 2020			
Equipment	\$ 1,533	\$ -	\$ 1,533
Cortina Landfill Project	-	10,821,782	10,821,782
	\$ 1,533	\$ 10,821,782	\$ 10,823,315
November 30, 2019			
Equipment	\$ 2,254	\$ -	\$ 2,254
Cortina Landfill Project	-	10,997,776	10,997,776
	\$ 2,254	\$ 10,997,776	\$ 11,000,030

13 Bonus Commitment

In the case of:

- (i) the sale of 50.1% or more of CIWM; or
- (ii) the sale of 50.1% or more of CIWM's Cortina Landfill Project; or
- (iii) the sale of 50.1% or more of the Company's assets; or
- (iv) the acquisition by new principals, or a group more than 50% of the principals of which are not directly principals of the Company, of 33.34% or more of the issued shares of the Company; or
- (v) a de facto change of control of the Company and its management to a group the majority of which are not principals of the Company and which does not include the current President of the Company.

A cash bonus of \$1 million shall become payable on or before the 60th day following any of the change of control events described above, as follows:

- (i) 60% to a corporation controlled by the President of the Company;
- (ii) 20% to be divided evenly between and paid to the other than sitting Directors of the Company; and
- (iii) the remaining 20% will be divided and allocated between the then sitting Directors and others who have contributed to the success of the Company, excluding the current President, as determined by the Board of Directors.

In addition, the bonus shall become payable within 180 days of commercial production if the project is completed and put into commercial production by and under the control of the Company.

14 Supplemental Cash Flow Information

Changes in non-cash working capital for the year ended November 30 2020 and November 30, 2019 were comprised of the following:

	2020	2019
Accounts receivable	\$ (28,280)	\$ 345
Prepaid expenses and deposits	(635)	306
Accounts payable and accrued liabilities	35,889	86,237
Net Change	\$ 6,974	\$ 86,888

The Company incurred non-cash financing and investing activities during the year ended November 30, 2020 and November 30, 2019:

	2020	2019
Non-cash financing and investing activities:		
Issue of share capital for:		
Shares issued to partially settle an outstanding loan	\$ -	\$ 25,000
Shares issued for interest	\$ 47,500	\$ 20,000
Shares issued for services	\$ 55,000	\$ -

During the year ended November 30, 2019 the Company accepted an offer from one of its suppliers to settle an outstanding account payable. This resulted in a gain of \$140,012.

15 Subsequent events

- a) In December, 2020 the Company issued 2,612,500 units in connection to an oversubscribed private placement for gross proceeds of \$522,500. Each unit consists of 1 share and a warrant which can be converted into one share of the Company at a price \$0.30 per share until December 3, 2022. Finders fees were paid in the form of cash (\$18,900) and 94,500 share purchase warrants.
- b) In January, 2021 the entire balance of 1,100,000 outstanding warrants were exercised at \$0.15 per share providing the Company with proceeds of \$165,000.
- c) In January, 2021 100,000 options were exercised at a price of \$0.10. Proceeds of \$10,000 were received by the Company.