RAINMAKER WORLDWIDE INC.

(Formerly GOLD AND SILVER MINING OF NEVADA, INC.)

Consolidated Audited Financial Statements
For
The Year Ended
December 31, 2020

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Rainmaker Worldwide, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Rainmaker Worldwide, Inc. and its subsidiaries (collectively, the Company) as of December 31, 2020 and 2019, and the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity (deficit), and cash flows for the years ended December 31, 2020 and 2019, and the related notes (collectively referred to as the financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company suffered a net loss from operations and has a net capital deficiency, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Critical Audit Matters

The critical audit matters communicated below are matter arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Other Assets

As discussed in Note 7 to the financial statements, the Company evaluates intellectual property for impairment on an annual basis to determine if an impairment exists. Auditing management's evaluation of impairment analysis can be a significant judgment, given the fact that the analysis uses managements estimates on future cash flows derived from the intellectual property.

To evaluate the appropriateness and accuracy of the impairment determined by management, we examined the estimated future cash flows and management's assessment of the probability of those future cash flows in conjunction with the historical evidence and signed agreements.

Capital Stock and Other Equity Accounts

As discussed in Note 14 to the financial statements, the Company recognizes the expense related to the issuance of stock options based on a Black Scholes option pricing model.

Auditing management's calculation of the fair value of stock options can be a significant judgment, given the fact that the Black Scholes model uses estimates of future value based on historical data.

To evaluate the appropriateness and accuracy of the fair value determined by management, we examined the historical data and the model used to calculate the fair value of the stock options.

/s/ M&K CPAS, PLLC

We have served as the Company's auditor since 2020.

Houston, Texas

April, 12, 2021

RAINMAKER WORLDWIDE INC.

(Formerly Gold and Silver Mining of Nevada Inc.)

Consolidated Balance Sheets

	Years ended December 31	
	2020	2019
Assets		
Current Assets		
Cash	$ 326,536	$ 631,588
Other receivables	20,319	62,847
Inventory	759,705	142,244
Investments	112,000	-
Prepaid expenses	101,170	251,600
Total Current Assets	1,319,730	1,088,279
Net Operating Lease Right-of-Use Asset	498,031	67,304
Property & Equipment, net of accumulated depreciation of $156,582 and $120,173	56,202	91,129
Intellectual Property, net of accumulated depreciation of $2,142,596	-	5,305,477
Demonstration Equipment / Development, net of accumulated depreciation of $304,943 and $190,652	684,316	655,916
Total Assets	$ 2,558,279	$ 7,208,105
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 934,081	$ 457,193
Related party payables	2,583,205	1,911,632
Accrued liabilities	483,108	189,318
Grant obligation	1,718,382	1,339,340
Operating lease liabilities	498,032	67,304
Customer deposits	213,617	168,947
Contingent liability	4,423,910	4,423,910
Provision for ARO Obligation	-	28,859
Convertible notes payable, net discount of $0 and $65,196	315,419	454,973
Convertible notes payable-related parties, net of discount of $467,118 and $0	1,413,378	434,858
Notes payable - related parties	88,797	260,791
Other loans payable	417,326	556,798
Total Current Liabilities	13,089,255	10,293,923
Long Term Payables		
Notes payable	799,874	732,418
Convertible notes payable	3,105,897	-
Total Long Term Payables	3,905,771	732,418
Total Liabilities	$ 16,995,026	$ 11,026,341
Stockholders' Equity		
Common stock - $0.001 par value; 200,000,000 authorized; 139,580,934 and 104,572,308 oustanding at December 31, 2020 and December 31, 2019, respectively	$ 139,581	$ 104,572
Additional paid-in capital	53,611,108	41,146,619
Stock payable	75,000	68,800
Accumulated deficit	(68,271,589)	(45,625,795)
Accumulated other comprehensive income	9,153	487,568
Total Stockholders' Equity	$ (14,436,747)	$ (3,818,236)
Total Liabilities and Stockholders' Equity	$ 2,558,279	$ 7,208,105

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

RAINMAKER WORLDWIDE INC.

(Formerly Gold and Silver Mining of Nevada Inc.)

Consolidated Statement of Operations and Comprehensive Loss

	December 31 2020	December 31 2019
Revenue	$ -	$ 189,237
Cost of Goods Sold	-	155,911
Gross Margin	-	33,326
Expenses		
General and administrative expense	17,064,796	7,825,300
Total Expenses	17,064,796	7,825,300
Loss from Operations	(17,064,796)	(7,791,974)
Other income (expense)		
Gain on retirement of ARO	13,392	-
Loss on impairment of IP	(4,650,966)	-
Interest expense	(943,424)	227,412
Total other income (expense)	(5,580,998)	227,412
Net Loss	$ (22,645,794)	$ (8,019,386)
Other comprehensive income		
Foreign exchange translation gain (loss)	(478,415)	227,484
Net loss and comprehensive loss	$ (23,124,209)	$ (8,246,870)
Net loss per share - basic and diluted	$ (0.17)	$ (0.08)
Weighted average number of common shares outstanding - basic	131,191,496	95,769,204

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

RAINMAKER WORLDWIDE INC.

(Formerly Gold and Silver Mining of Nevada Inc.)

Consolidated Statements of Stockholders' Equity (deficit)

	Number of stock	Amount ($)	Additional paid-in capital ($)	Stock Payable	Deficit ($)	Accumulated other comprehensive income ($)	Total
Balance, December 31, 2018	**93,672,308**	**$ 93,672**	**$ 34,989,503**	**$ -**	**$ (37,606,409)**	**$ 260,084**	**$ (2,263,150)**
Shares issued for debt	10,500,000	10,500	42,000				52,500
Private placements	400,000	400	29,600				30,000
Shares issued for services			6,009,336				6,009,336
Stock-based compensation			76,180				76,180
Stock Payable				68,800			68,800
Foreign currency translation						227,484	227,484
Net loss for the year					(8,019,386)		(8,019,386)
Balance, December 31, 2019	**104,572,308**	**$ 104,572**	**$ 41,146,619**	**$ 68,800**	**$ (45,625,795)**	**$ 487,568**	**$ (3,818,236)**
Shares issued for debt	22,200,000	22,200	278,800	-	-	-	301,000
Private placements	3,614,001	3,614	357,786		-	-	361,400
Shares issued for services	2,977,793	2,978	313,023	-	-	-	316,001
Conversion of convertible promissory notes	6,216,832	6,217					6,217
Stock-based compensation	-	-	11,514,880	-	-	-	11,514,880
Stock Payable	-	-	-	6,200	-	-	6,200
Foreign currency translation	-	-	-	-	-	(478,415)	(478,415)
Net loss for the year	-	-	-	-	(22,645,794)	-	(22,645,794)
Balance, December 31, 2020	**139,580,934**	**$ 139,581**	**$ 53,611,108**	**$ 75,000**	**$ (68,271,589)**	**$ 9,153**	**$ (14,436,747)**

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

RAINMAKER WORLDWIDE INC.

(Formerly Gold and Silver Mining of Nevada Inc.)

Consolidated Statement of Cash Flows

CASH FLOWS FROM OPERATING ACTIVITIES	**2020**	**2019**
Net loss	$ (22,645,794)	$ (8,019,386)
Adjustments to reconcile net income to net cash used for operating activities:		
Depreciation expense	175,892	116,416
Loss on impairment	4,650,966	
Stock-based compensation	10,892,625	6,009,336
Shares issued for services	316,000	-
Discount amortization	565,334	10,984
IP amortization	518,352	523,938
Gain on retirement of ARO	(13,266)	
Non-cash Lease expense	101,588	114,850
Change in operating assets and liabilities:		
Other Receivable	42,528	(33,078)
Inventory	(617,461)	(38,159)
Prepaid expenses	150,430	(118,741)
Accounts payable, related party payables and accrued liabilities	2,703,846	(73,551)
Customer deposits	76,989	(176,702)
Contract Obligation	289,251	1,181,820
Provision for ARO obligation	(14,635)	-
Lease liabilities	(101,588)	(114,850)
CASH USED FOR OPERATING ACTIVITIES	(2,908,943)	(617,123)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for investment in JV	(112,000)	-
Cash paid for purchase of fixed assets	(102,481)	(44,480)
CASH USED FOR INVESTING ACTIVITIES	(214,481)	(44,480)
CASH FLOWS FROM FINANCING ACTIVITIES		-
Proceeds from sale of stock	367,600	98,800
Borrowed on debt	2,775,000	1,217,362
Repayments on other loans payable	(183,450)	-
CASH PROVIDED BY FINANCING ACTIVITIES	2,959,150	1,316,162
Effect on Foreign Currency Exchange	(140,778)	(27,496)
NET INCREASE (DECREASE) IN CASH	(305,052)	627,063
CASH AT BEGINNING OF YEAR	631,588	4,525
CASH AT PERIOD END	$ 326,536	$ 631,588
NON-CASH TRANSACTIONS		
Shares issued for conversion	-	52,500
Adoption of ACS 842	-	179,708
Lease modification	38,076	-
Lease acquisition	494,239	-
Debt Discount	-	76,180

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

Note 1: Nature of Operations, Reverse Merger and Going Concern

Nature of Operations

Rainmaker Worldwide Inc. ("Rainmaker" or the "Company") is a Nevada company which operates through two wholly owned subsidiaries; Rainmaker Worldwide Inc. (Ontario) ("RWI") which hosts the Company's head office in Peterborough, Ontario, Canada, and Rainmaker Holland B.V. ("RHBV") which functions as the Company's innovation and manufacturing center in Rotterdam, Netherlands. The Company's patented water technology provides economical drinking water wherever it's needed and at scale. The Company builds two types of energy-efficient, fresh water-producing technologies: (1) Air-to-Water, which harvests fresh water from humidity in the atmosphere. (2) Water-to-Water, which transforms seawater or polluted water into drinking water. The technology is both wind and solar powered, is deployable anywhere, and leaves no carbon trace.

While we continue to manufacture and sell equipment, we are shifting our focus to deliver Water-as-a-Service ("WaaS") i.e. selling water directly to the customer on a per liter basis. This will be executed by forming local joint venture partnerships who will in turn own the Rainmaker and related equipment. In most if not all cases RAKR will have an ownership stake in the JV the percentage of which will be determined by the relative contribution of the stakeholders.

Reverse Merger

RWI was incorporated on July 21, 2014 under the Ontario Business Corporations Act. On July 3, 2017, RWI shareholders completed a share exchange with the Company (the "Merger") pursuant to a share exchange agreement dated June 28, 2017 (the "Share Exchange Agreement") among the Company, RWI and RWI's 45 shareholders. Upon completion of the Merger, and in accordance with the terms and provisions of the Share Exchange Agreement, the Company acquired an aggregate of 9,029,562 common shares in the capital of RWI from the RWI Shareholders (being all of the issued and outstanding shares in the capital of RWI) in exchange for an aggregate of 66,818,759 restricted shares of the Company's common stock, or 7.4 shares for each share of RWI. As a consequence, RWI became a wholly owned subsidiary of the Company effective July 3, 2017. The Company's former name, Gold and Silver Mining of Nevada, Inc. ("CJT") was changed on April 24, 2017 in expectation of and conditional upon completion of the Merger. The Merger was accounted for as a reverse acquisition with RWI considered the accounting acquirer since the former RWI shareholders remained in control of the combined entity after the transaction. As part of the merger, net liabilities of $235,495 were recognized on the Company's balance sheet. As a result of the Merger the Company now trades on the OTC Pink Sheet under the trading symbol RAKR.

Merger with Sphere 3D

On July 15, 2020 Sphere 3D Corp. (NASDAQ: ANY) announced that it entered into a definitive merger agreement pursuant to which it would have acquired all of the outstanding securities of Rainmaker Worldwide Inc. Upon closing, Sphere 3D's name would have changed to Rainmaker Worldwide Inc., and its business model would focus on Water-as-a-Service ("WaaS"). Rainmaker management would have assumed operational leadership of the combined entity.

Under the terms of that agreement, Rainmaker, would have merged with S3D Nevada Inc., a Nevada company wholly owned by Sphere 3D, and the merged entity would have been a wholly owned subsidiary of Sphere 3D. Rainmaker shareholders would have received 0.33 of a share of Sphere 3D for each whole share of Rainmaker exchanged and one-third of a warrant or option for each whole warrant or option then held by such Rainmaker shareholder. Upon completion of the transaction Sphere 3D expected to remain listed on the NASDAQ market and would have changed its name to Rainmaker Worldwide Inc. and apply to change its trading symbol from ANY to RAIN. After completion of the transaction, it was expected that current holders of Rainmaker Worldwide Inc. would own approximately 80% of Sphere 3D, on a fully diluted basis, as a result of their exchange of securities in the transaction.

The transaction was subject to completion of an equity financing, or series of financings, for a minimum of US$15 million at a share price to be mutually agreed prior to closing and such other customary regulatory and shareholder

Note 1: Nature of Operations, Reverse Merger and Going Concern (continued)

approvals, including the approval of NASDAQ. Closing was originally expected to occur prior to December 31, 2020 but was subject to extension to February 28, 2021 under certain circumstances if mutually agreed by the parties.

On September 14, 2020 Sphere 3D announced that the Merger Agreement had been amended to change the ratio of Sphere 3D stock to be received by Rainmaker shareholders (the "Amendment"). This change was intended to better reflect the current market values of the respective companies. At closing, holders of Rainmaker common shares and holders of Rainmaker preferred shares would have each received 1/15th of a share of Sphere 3D per common or preferred share that they hold.

As part of the Amendment, Sphere 3D also agreed to advance US$1.85 million to Rainmaker by way of a secured convertible note (the "Note") in order for Rainmaker to sustain multiple growth initiatives. The funds were used to fulfill recent contracts and expand its equipment production capacity. (See Note 3).

The Merger Agreement was adjusted to become an asset purchase agreement January 3, 2021 with the same business focus, Water-as-a-Service (WaaS), which ultimately was terminated on February 12, 2021 and was subsequently announced publicly. For the time being, Rainmaker is continuing its ordinary course of business-focusing on WaaS.

Going Concern

The Company has incurred continuing losses from its operations and has an accumulated deficit of $ 68,271,589. There are no assurances the Company will be able to raise capital on acceptable terms or that cash flows generated from its operations will be sufficient to meet its current operating costs and required debt service. If the Company is unable to obtain sufficient amounts of additional capital, it may be required to reduce the scope of its planned product development, which could harm its financial condition and operating results. These conditions raise substantial doubt about the Company's ability to continue ongoing operations. These consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

The Company's ability to continue its operations and to pay its obligations when they become due is contingent upon the Company obtaining additional financing. Management's plans include seeking to procure additional funds through debt and equity financings to enable it to meet its operating needs including current and future sales orders. In addition, revenues are being forecasted at the operational level considering the imminent implementation of local JV-based WaaS agreements once travel restrictions due to COVID permit. This is true in Turks and Caicos, Bahamas and Sri Lanka. This reduces the need to pre-build equipment into inventory for sale and will reduce the cash flow needs for operations going forward.

Note 2: Significant Accounting Policies

Basis of Preparation

The consolidated financial statements presented are for the entity Rainmaker and its wholly owned subsidiaries, Rainmaker Holland B.V. and Rainmaker Worldwide Inc. (Ontario) as a consolidated entity. The consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles.

The preparation of the consolidated financial statements in conformity with United States Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

All accounting policies are chosen to ensure the resulting financial information satisfies the concepts of relevance and reliability.

Note 2: Significant Accounting Policies (continued)

Foreign Currency Translation

The reporting currency of the Company is the United States dollar. The financial statements of subsidiaries located outside of the United States are measured in their functional currency: Rainmaker Worldwide Inc. (Ontario) reports in Canadian dollars and Rainmaker Holland B.V. reports in Euros. Monetary assets and liabilities of these subsidiaries are translated at the exchange rates at the balance sheet date. Income and expense items are translated using average annual exchange rates. Non-monetary assets are translated at their historical exchange rates. Translation adjustments are included in accumulated other comprehensive income in the consolidated balance sheets.

Intangible Assets

The Company acquired intellectual property including know-how and patents in the December 2015 Asset Purchase Agreement whereby Rainmaker Worldwide Inc. (Ontario) purchased the assets of Dutch Rainmaker B.V. ("DRM") and Wind En Water Technologie Holding B.V. ("WWT"). Commencing January 2016, the Company has amortized the patents and know-how using the average life expectancy of the patents which is 14 years.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any recognized impairment loss. Cost includes the original purchase price of the asset and any costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided at rates estimated to write off the cost of the relevant assets less their estimated residual values by equal annual amounts over their expected useful lives. Residual values and expected useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. Depreciation periods for the Company's property and equipment are as follows:

Leasehold Improvements – lesser of 10 years or lease duration
Office Furniture & Equipment – 5 years
Intellectual Property – 14 years
Manufacturing Equipment – 5 years
Demonstration Equipment – 10 years
Computer Software – 5 years

Embedded Conversion Features

The Company evaluates embedded conversion features within convertible debt under ASC 815 Derivatives and Hedging to determine whether the embedded conversion feature(s) should be bifurcated from the host instrument and accounted for as a derivative at fair value with changes in fair value recorded in earnings. If the conversion feature does not require derivative treatment under ASC 815, the instrument is evaluated under ASC 470-20 Debt with Conversion and Other Options for consideration of any beneficial conversion features.

Demonstration Equipment

Demonstration equipment is stated at cost less accumulated depreciation and any recognized impairment loss. Cost includes the original purchase price of the asset and any costs attributable to bringing the asset to its working condition for its intended use.

Depreciation for the demonstration equipment is at a rate estimated to write off the cost of the equipment less its estimated residual value by an equal annual amount over its expected useful life. The residual value and expected useful life of the demonstration equipment is reviewed and adjusted, if appropriate, at the end of each reporting period.

Note 2: Significant Accounting Policies (continued)

Revenue Recognition

In May 2014, the FASB issued an accounting standard update (‘ASU”), 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU amends the existing accounting standards for revenue recognition and is based on the principle that revenue should be recognized to depict the transfer of goods or services to a customer at an amount that reflects the consideration a company expects to receive in exchange for those goods or services. On January 1, 2018, the Company adopted the new Accounting Standards Codification (“ASC”) 606, Revenue from Contracts with Customers using the modified retrospective method, and the Company determined the new guidance does not change the Company's policy of revenue recognition.

The Company's original primary source of revenue was through the sales of water production systems. A contract with a customer was to be established once we have a signed agreement and the initial down payment was received. Each transaction price was established in the signed contract. Unearned revenue is recognized upon receipt of the down payment for the system. The revenue is recognized once title of the system transfers to the customer. The nature of our business of equipment sales implies there is only one performance obligation which is delivery of the end product to our customer. Our contracts outline each party’s rights and obligations including the terms and timing of payments.

The Company, as noted above, is looking to add two and potentially three sources of revenue in the future. The first is through the direct sales of water production systems as per the above paragraph. The second is through participation in WaaS partnerships. These partnerships will in effect purchase the machines from the Company as in the first case and the revenue will be recognized in accordance with the corresponding rules. These partnerships will also generate revenue sharing as water is sold in accordance with the various agreements and that revenue will be recognized in the period it is earned. The third potentially significant source of revenue as these projects develop will be the provision of operating and maintenance and professional services to these joint ventures. That revenue will also be recognized in the period it is earned.

In June 2018, the FASB issued guidance clarifying the revenue recognition and measurement issues for grants, contracts, and similar arrangements, ASU Topic 958. Government grants and contracts are agreements that generally provide cost reimbursement for certain types of expenditures in return for research and development activities over a contractually defined period. During 2019 the Company received a grant from the European Commission (details below). That grant and associated contract with European Commission has been analyzed and it has been determined it is a non-exchange transaction and falls within the scope of ASU 958, and revenue should be recognized in accordance with Topic 958 guidance. Accordingly, the Company recognizes revenue from its grant and contract in the period during which the related costs are incurred, provided that the conditions under which the grants and contracts were provided have been met and only perfunctory performance obligations are outstanding.

In 2019, the Company was awarded a EUR $2.3 million European Commission Grant to develop and construct the first off-grid water desalination system 100% powered by renewable energy. The unit will be commissioned and tested in the Canary Islands. The project duration was originally to run September 1, 2019 to August 31, 2021. An extension to May 31, 2022 will be filed due to delays related to COVID. The Company retains title to the system once the project is complete. See Note 17.

Related Party Transactions

Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

Note 2: Significant Accounting Policies (continued)

Share-based Payment Expense

The Company follows the fair value method of accounting for stock awards granted to employees, directors, officers and consultants. Share-based awards to employees are measured at the fair value of the related share-based awards. Share-based payments to others are valued based on the related services rendered or goods received or if this cannot be reliably measured, on the fair value of the instruments issued. Issuances of shares are valued using the fair value of the shares at the time of grant; issuances of options are valued using the Black-Scholes model with assumptions based on historical experience and future expectations.

Asset Retirement Obligation

Included in the assets acquired in the December 2015 Asset Purchase Agreement, the Company obtained an obsolete wind turbine located in Leeuwarden, Netherlands. In accordance with ASC 410, Asset Retirement and Environmental Obligations and pursuant to the guidelines of the City of Leeuwarden for land leases, the Company was required to decommission the turbine including disassembly and removal of wind turbine generator and tower, substation and interconnection facilities, as well as foundation for the tower, and to provide for restoration of the property to its original state. The Company recorded an initial asset retirement obligation at fair value as a liability in the period in which a legal obligation associated with the retirement of tangible long-lived assets occurs. The liability is accreted each period over the maximum term of the contractual agreements. The Company records the offsetting asset to the initial obligation as an increase to the carrying amount of the related long-lived asset and depreciates that cost over the maximum term of the contractual agreements. In July 2020, the asset was dismantled and the asset retirement obligation eliminated. (See Note 16).

Financial Liabilities and Equity Instruments

Financial liabilities and equity instruments are classified and accounted for as debt or equity according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Marketing, Advertising and Promotional Costs

As required by Generally Accepted Accounting Principles of the United States, the Company records marketing costs as an expense in the year to which such costs relate. The Company does not defer amounts on its year-end consolidated balance sheets with respect to marketing costs. Advertising costs are expensed as incurred.

Segment Reporting

ASC 280-10, "Disclosures about Segments of an Enterprise and Related Information", establishes standards for the way that public business enterprises report information about operating segments in the Company's consolidated financial statements. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the Chief Executive Officer in deciding how to allocate resources and assess performance. The Company has reportable segments in the United States, Canada and The Netherlands. The Company’s intellectual property and development and assembly is domiciled in the Netherlands.

Note 2: Significant Accounting Policies (Continued)

	Years ended December 31	
	2020	2019
Gross Profit		
United States	-	11,283
Europe	-	12,769
Canada	-	9,274
	$ -	33,326
Net Loss		
United States	14,362,686	2,715,042
Europe	1,157,176	3,072,672
Canada	7,125,932	2,231,671
	$ 22,645,794	8,019,385
Assets		
United States	692,993	937,054
Europe	1,829,809	5,117,755
Canada	35,477	1,153,297
	$ 2,558,279	7,208,106

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles of the United States requires management 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 amounts of expenses during the year. Management bases its estimates on historical experience and on other assumptions considered to be reasonable under the circumstances. However, actual results may differ from the estimates.

Loss per Share

The Company reports loss per share in accordance with ASC 260, “Earnings per Share”. Basic loss per share is computed by dividing net loss by the weighted average number of common stock outstanding during each period. Diluted loss per share is computed by dividing net loss by the weighted average number of shares of common stock and other potentially dilutive securities outstanding during the year. The Company has options, debentures and other potentially dilutive instruments extending to the latest date of December 31, 2025. To the extent that the fully diluted shares exceed the authorized capital at any point in time, action will be taken by the Executive Management and Board of the Company to ensure those shares are available for distribution. The Company’s diluted share total is 261,734,867.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, we determine deferred tax assets and liabilities on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

Note 2: Significant Accounting Policies (Continued)

The Company recognizes deferred tax assets to the extent that we believe that these assets are more likely than not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If we determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

The Company records uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

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 by the date of the statement of financial position.

Equity-Settled Transactions

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share-based compensation reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement or is beneficial to the employee as measured at the date of modification.

Inventory

Inventory and work in progress are valued at the lower of cost and net realizable value. The production cost of inventory includes an appropriate proportion of depreciation and production overheads based the ratio of indirect vs. direct costs. Cost is determined on the following bases: Raw materials and consumables are valued at cost on a first in, first out (FIFO) basis; finished products are valued at raw material cost, labor cost and a proportion of manufacturing overhead expenses.

Financial Instruments

ASC 820 “Fair Value Measurements and Disclosures” provides the framework for measuring fair value. That framework provides a fair value hierarchy prioritizing the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Note 2: Significant Accounting Policies (Continued)

Fair value is defined as an exit price, representing the amount that would be received upon the sale of an asset or payment to transfer a liability in an orderly transaction between market participants. Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. A three-tier fair value hierarchy is used to prioritize the inputs in measuring fair value as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Significant unobservable inputs that cannot be corroborated by market data.

The Company's policy is to recognize transfers into and out of Level 3 as of the date of the event or change in the circumstances that caused the transfer. There were no such transfers during the periods being reported.

Customer Concentration

Due to the infancy of the Company’s market penetration, current sales are concentrated on a limited number of customers. The Company had 3 customers in 2019 which totaled 100% of our revenue.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less to be cash equivalents. The Company maintains the majority of its cash accounts at a commercial bank. Cash balances are insured by the Canada Deposit Insurance Corporation (“CDIC”) up to CAD$100,000 per commercial bank and the Netherlands Deposit Guarantee Scheme (DGS) up to EUR100,000 per commercial bank. From time to time, cash in deposit accounts may exceed the insurance limits thus the excess would be at risk of loss. For purposes of the statement of cash flows we consider all cash and highly liquid investments with maturities of 90 days or less to be cash equivalents. As of December 31, 2020, the Company had no cash equivalents.

Note 3: Convertible Notes Payable

On June 30, 2017, Gold and Silver Mining of Nevada, Inc. held unsecured, matured and past due convertible notes payable of $235,495. On the date of the Merger, the above convertible notes payable amount were recognized on the Company’s balance sheet. On July 3, 2017, $180,500 of the convertible notes payable was forgiven and recorded as debt forgiveness in the statement of operations.

The following summarizes the above notes including notes forgiven:

- Original note of $24,500 – the $24,500 was forgiven on July 3, 2017.
- Original note of $100,000 with interest at 15% p.a. - $75,000 of these notes was forgiven on July 3, 2017. The remaining $25,000 was held by three different parties in the following amounts: $8,200, $8,750 and $8,050.
- Original note of $90,000 with interest at 15% p.a. - $81,000 of these notes was forgiven on July 3, 2017.
- Original note of $20,995 with interest at 15% p.a. – this note was settled on January 31, 2018 in exchange for 50,000 shares of stock at $0.42 per stock (See note 9).
- All of the above notes were convertible at $0.001 per stock.

Following the Merger, $13,100 of the convertible notes payable was converted into stock at a conversion price of $0.001 per stock for a total of 13,100,000 shares of common stock as per the terms of the notes.

On May 14, 2020, $100 of convertible notes payable was converted into stock at a conversion price of $0.001 per

Note 3: Convertible Notes Payable (Continued)

stock for a total of 100,000 shares of common stock as per the terms of the notes.

On June 15, 2020, $2,783.53 of convertible notes payable was converted into stock at a conversion price of $0.001 per stock for a total of 2,783,530 shares of common stock as per the terms of the notes.

On June 29, 2020, $3,333.30 of convertible notes payable was converted into stock at a conversion price of $0.001 per stock for a total of 3,333,302 shares of common stock as per the terms of the notes.

As a result of the above conversions there are $8,200 convertible notes remaining that came into the Company through from the July 3, 2017 merger.

On May 10, 2018, the Company entered into a $200,000 unsecured, convertible promissory note maturing on July 10, 2018. The note was interest bearing at a rate of 12% interest per annum with no interest payments due until maturity and convertible into shares of the Company's Common Stock at a fixed price of $0.35 per share. The holder of the note was issued 100,000 shares of common stock in lieu of set-up fees and interest for the term of the loan which was discounted against note in the amount of $25,000, the market value of the shares issued on the date of the note. The Company evaluated the note for a beneficial conversion feature at the date of issuance noting that there was no BCF related. The note was in default from July 10, 2018 through January 20, 2019 and thus in addition to the above 12%, the Company accrued penalty interest at the rate of 1.5% per month as per the terms of the notes.

In exchange for the above note dated May 10, 2018, the holder advanced the Company an additional $75,000 and the Company issued a new note on January 21, 2019 in the amount of $307,219 which included accrued interest in the amount of $32,219 and was due on April 20, 2019. The new note is interest bearing at a rate of 15% interest per annum with no interest payments due until maturity and convertible into shares of the Company's Common Stock at a fixed price of $0.05 per share. The note also contained a bonus conversion feature which states that if the holder exercises their option to convert, then the holder will be able to convert 115% of the principal and accrued interest on the date of conversion. The conversion feature expired July 9, 2019 and was not exercised. The Company evaluated the note for a beneficial conversion feature at the date of issuance noting that there was no BCF related. The note is secured by a general pledge on assets.

On September 10, 2019, the Company issued two notes each for $26,250 totaling $52,500. The notes are repayable on September 9, 2020, bear interest of 10% per annum and are convertible prior to maturity at $0.005 per share. The Company evaluated the notes for a beneficial conversion features at the date of issuance and recorded a discount in the amount of $3,150. During Q3, the two notes totaling $52,500 were converted into 10,500,000 shares in Q4 as per the terms of the notes with no additional gain or loss.

On November 5, 2019, the Company entered into a convertible loan agreement. This loan agreement is for the aggregate amount of $200,000. The loan was repayable on November 5, 2020, with interest at a rate of 12% per annum and was convertible into shares of common stock at $0.10 per share prior to maturity. The Company evaluated the note for a beneficial conversion feature at the date of issuance and recorded a discount on the note in the amount of $70,000. During Q2 2020 this note was converted into 2,000,000 common stock of the Company within the terms of the note and therefore no gain/loss.

On April 2, 2020, the Company issued two convertible promissory notes of $550,000 for a total of $1,100,000. The notes matured on November 24, 2020, bear interest of 3% per annum and were convertible prior to maturity at $0.33 per share. As of December 31, 2020 the Company has received from the holders of these notes a total of $755,000. These existing notes and accrued interest were rolled into a Senior Secured Convertible Promissory Note in an agreement signed September 14, 2020 and are now deemed to be cancelled.

On September 14, 2020 the Company issued a Senior Secured Convertible Promissory Note in the amount of $3,105,896.72 bearing interest of 10% per annum with a maturity date of 3 years from the anniversary date of the funding advance and is convertible into shares of Common Stock equal to 85% multiplied by the average of the 5 closing prices of the Common Stock immediately preceding the Trading Day that the Company receives a Notice of Conversion with a floor price of $0.15. On October 1, 2020 the amount of $1,850,000 was advanced to the Company. The balance of the principal of this note is made up of the principal and interest on the existing promissory notes totaling $1,100,000 described above, the funding advanced October 1, 2020 and the principal and interest on the

Note 3: Convertible Notes Payable (Continued)

existing note issued August 4, 2020 in the amount of $150,000 (see Note 6). Each of the existing notes are deemed to be cancelled. The company evaluated the note for a beneficial conversion feature at the date of issuance noting that there was no BCF related. The security interest of this loan is junior and subordinate to all existing security. As of December 31, 2020 the Company has not received $345,000 related to the total note. The Company is in the process of rectifying this situation and will take action, if necessary, against the parties who failed to fulfill their obligations.

During 2020 the Company recognized $65,196 of the 2019 unamortized discount.

Note 4: Convertible Notes Payable, Related Parties

On April 18, 2019, the Company entered into a convertible loan agreement with an entity that is controlled by an officer of the Company. This loan agreement is for the aggregate amount of $366,900. The loan is repayable on December 31, 2020, bears interest at a rate of 15% per annum and is convertible into shares of common stock at $0.05 per share prior to or after maturity. The Company evaluated the note for a beneficial conversion feature at the date of issuance noting that there was no BCF related. This loan is secured by a general pledge on the assets of the Company.

On September 10, 2019, the Company entered into two convertible promissory notes with an entity controlled by an officer of the Company each in the amount of $50,500 for the aggregate amount of $101,000. These note agreements were repayable on September 9, 2020, bear interest at a rate of 10% per annum and were convertible into common stock at $0.005 per share prior to maturity. The Company evaluated the notes for a beneficial conversion features at the date of issuance and recorded a discount in the amount of $3,030. In Q1 2020 these notes were converted into 20,200,000 unrestricted stock as per the terms of the notes.

Compensation is due to certain members of the executive management team in the amount of $312,000. In support of the growth of the Company, those executive team members agreed to defer receipt of payment to January 2019. The loans bear interest at 4%. On October 1, 2020 some notes ($252,000) were amended to reflect a new maturity date of October 1, 2021, a change in interest rate to 6% and added a conversion feature leaving $60,000 as a note payable under the original conditions. Conversion price is to be calculated using the 5-day VWAP preceding the conversion date and not to drop below $0.09. The company evaluated the notes for a beneficial conversion feature at the date of issuance and found a BCF totaling $103,600.

Compensation is due to members of the executive management team in the amount of $1,261,595.86 which was converted into convertible promissory notes on October 1, 2020 bearing interest of 6% per annum and are due October 1, 2021. The conversion price is to be calculated using the 5-day VWAP preceding the conversion date and not to drop below $0.09. The company evaluated the notes for a beneficial conversion feature at the date of issuance and found a BCF totaling $518,656.

The Company recorded interest expense for the amortization of the discount related party convertible notes in the amount of $155,138 for 2020.

Note 5: Notes Payable, Related Parties

Promissory notes amounting to $28,796.73 are due and bear interest of 5% and are payable on demand.

Note 6: Other Loans Payable

On January 25, 2019, the Company entered into a loan agreement for $366,900 with an interest rate of 10% per annum. This loan is secured by a general pledge on the assets of the Company. On October 9, 2020, $183,450 principal was repaid. The remaining principal of $183,450 and accrued interest of $21,402 is due February 1, 2021.

On August 4, 2020 the Company entered into a loan agreement for $150,000 bearing an interest rate of 10% per annum. Principal and interest were due and payable on the earlier of the closing of the merger agreement with Sphere 3D (see Note 1) or February 28, 2021. On October 1, 2020 this loan and accrued interest were rolled up into the Senior Secured Convertible Promissory Note described in Note 3 and is now deemed to be cancelled.

Note 6: Other Loans Payable (Continued)

The City Development Fund ("SOFIE") in Rotterdam, The Netherlands, is an initiative of the municipality of Rotterdam and is made possible through funds from the European Regional Development Fund. The SOFIE fund was created in the summer of 2013 with the goal of making the Rotterdam City Ports more attractive to new entrepreneurship. The Company was approved on October 26, 2015 for a loan in the amount of $1,223,000 (1,000,000 (EUR) comprised of loans of EUR 300,000 and EUR 700,000) and bears interest at a rate of 6.5% compounded annually. The EUR 700,000 was payable over 60 months and the EUR 300,000 payable over 18 months. The first drawdown of the note occurred on March 1, 2016 with the entire EUR 1,000,000 subsequently being drawn down. Due to Company cash flow deficiencies, the loan moved to an interest only payable status commencing July 1, 2018 to January 1, 2020. SOFIE has agreed to allow the Company to continue to make interest only payments until January 1, 2021. Both loans now mature January 1, 2025 and are recorded as long-term portion of $799,874 and the short-term portion of $233,877, a total of $1,033,751 principal remaining. For the period ended December 31, 2020, interest expense for the SOFIE loan is $67,194.

Note 7: Intellectual Property

On December 21, 2015, the Company, through its subsidiary, RWI, agreed to purchase the intangible assets of WWT/DRM, companies incorporated in Netherlands. WWT/DRM developed and exclusively owned all necessary know-how, patents, patent applications and technology allowing for the manufacture and commercial sale of water treatment and processing systems using renewable energy. This know-how and technology was collectively known as the Dutch Rainmaker system and is now the core technology and know-how of the Company. The original purchase price in 2015 included stock and future royalty obligations based on sales of equipment. At the time of acquisition, the present value of the royalty payments was minimal. The maximum royalty payments under the agreement was capped at $1,967,108.

The Company evaluated the Intellectual Property for impairment as of December 31, 2020 and determined a full impairment was necessary. The Company, even with full impairment, recognizes the obligation of $1,967,108.

Note 8: Property and Equipment

Demonstration Equipment

Demonstration equipment is stated at cost less accumulated depreciation and any recognized impairment loss. Cost includes the original purchase price of the asset and any costs attributable to bringing the asset to its working condition for its intended 10-year useful life.

The Company has created demonstration equipment to allow it to show a working version of its technology and equipment to customers and organizations. The demonstration equipment was completed in September 2017 therefore the Company commenced depreciation in the 4th quarter of 2017.

Depreciation for the demonstration equipment is at a rate estimated to write off the cost of the equipment less its estimated residual value by an equal annual amount over its expected useful life. The residual value and expected useful life of the demonstration equipment is reviewed and adjusted, if appropriate, at the end of each reporting period. The depreciation period for the Company's demonstration equipment is 10 years.

Note 8: Property and Equipment (Continued)

	Furniture and Equipment	Manufacturing Equipment	Leeuwarden Turbine	Demonstration Equipment	Leasehold Improvements	Computer Software	Total
Cost							
As at December 31, 2019	$ 26,529	$ 118,229	$ 28,859	$ 846,568	$ 30,949	$ 6,736	$ 1,057,870
Additions	943			67,060		13,098	81,102
Disposals			(28,859)				(28,859)
Currency revaluation	2,370	10,562		75,630	2,765	602	91,929
As at December 31, 2020	$ 29,842	$ 128,791	$ -	$ 989,259	$ 33,714	$ 20,436	$ 1,202,042
Accumulated depreciation							
As at December 31, 2019	$ 16,457	$ 63,248	$ 28,859	$ 190,652	$ 11,233	$ 376	$ 310,825
Depreciation	$ 7,421	$ 31,408		$ 114,291	$ 22,481	$ 3,957	$ 179,558
Disposals			(28,859)				$ (28,859)
As at December 31, 2020	$ 23,878	$ 94,656	$ -	$ 304,943	$ 33,714	$ 4,333	$ 461,524
Net book value							
As at December 31, 2019	$ 10,072	$ 54,981	$ -	$ 655,916	$ 19,716	$ 6,360	$ 747,045
As at December 31, 2020	$ 5,964	$ 34,135	$ -	$ 684,316	$ -	$ 16,103	$ 740,518

Note 9: Common Stock

Common Stock

As at December 31, 2020, the Company has authorized 200,000,000 common stock with $0.001 par value with 139,580,934 shares outstanding. The following table details the number of common stock issued:

	Number of Stock
Balance, December 31, 2019	**104,572,308**
Shares issued for debt	20,200,000
Private placements	3,364,001
Shares issued for services	2,000,000
Balance, March 31, 2020	**130,136,309**
Private placements	250,000
Shares issued for debt	2,000,000
Conversion of convertible promissory notes	6,216,832
Shares issed for services	40,000
Balance, June 30, 2020	**138,643,141**
Shares issed for services	937,793
Balance, September 30, 2020	**139,580,934**
Balance, December 31, 2020	**139,580,934**

In Q1 2019, the Company issued 342,857 shares of common stock for the conversion of $120,000 of convertible notes payable due to a related party.

In Q3 2019 the Company completed a private placement raising gross proceeds of $30,000 through the issuance of 400,000 shares of restricted common stock for $0.075 per stock. The conversion price was based on the Company's prevailing private placement price during that period.

Note 9: Common Stock (Continued)

In Q3 2019, the Company issued 10,500,000 shares of common stock for the conversion of $52,500 of convertible notes payable.

In Q1 2020, the remaining two convertible promissory notes issued on September 10, 2019 totaling $101,000 were converted into 20,200,000 shares of the Company's common stock (See note 4).

On February 28, 2020 the Company issued 2,000,000 restricted common stock at $0.005 per stock in fulfillment of a services contract entered into September 11, 2019.

In Q1 2020 the Company completed a private placement raising gross proceeds of $336,400 through the issuance of 3,364,001 shares of restricted common stock for $0.10 per stock.

In Q2 2020 the Company completed a private placement raising gross proceeds of $25,000 through the issuance of 250,000 shares of restricted common stock for $0.10 per stock.

In Q2 2020, the Company issued 2,000,000 shares of common stock for the conversion of $200,000 of convertible notes payable. (See note 3).

In Q2 2020, the Company issued 6,216,832 shares of common stock for the conversion of $6,216.83 of convertible notes payable. (See note 3).

On June 15, 2020 the Company executed a contract for the provision of services. The first invoice of that contract totaled $6,000 and as payment, the Company issued 40,000 shares restricted common stock valued at $0.15 per share, the market price on the date of the agreement.

On August 7, 2020, under the above contract for services, the Company issued 937,793 shares of restricted common stock valued at $0.3199 per share, the closing market price on July 31, 2020. This issuance related to the second invoice in the amount of $300,000 for the services contract the Company executed on June 15, 2020.

December 2020 the Company sold 2,000,000 shares for total proceeds of $75,000. As of December 31, 2020 the shares had not been issued and $75,000 was recorded as Stock Payable.

Note 10: Related Party Transactions

Outstanding compensation and expense reimbursements due to consultants engaged by the Company $615,998 (2019: $1,911,632).

The Company's head office location in Peterborough, Ontario, Canada, is leased from an entity controlled by the Chairman of the Company. Lease expense for the period is $ 48,123 (2019: $ 60,294).

Refer to other related party payables in Notes 4 and 5.

The Company entered into an agreement regarding Royalties Payable. (Refer to Note 7).

Note 11: Commitments and Contingencies

In the ordinary course of operating the Company's business it may from time to time be subject to various claims or possible claims. Management's view that there are no claims or possible claims that if resolved would either individually or collectively result in a material adverse impact on the Company's financial position, results of operations, or cash flows. These matters are inherently uncertain, and management's view of these matters may change in the future.

On April 27, 2018 the Company located a judgement dated August 8, 2016 against six Defendants including a former subsidiary of the Company as well as a predecessor of the Company as currently named and constituted. The amount of the judgement including costs is $4,423,910. An appeal was filed on November 9, 2016 by the previous management. A decision on the appeal was rendered on June 22, 2018 and the original judgement was upheld. As a result, the Company has recorded a contingent liability of $4,423,910 as of December 31, 2020 (2019: $4,423,910). The Company since its last report has not been contacted by the Plaintiff.

Note 12: Inventory

Inventory is stated at the lower of cost or market. Cost is recorded at standard cost, which approximates actual cost, on the first-in first-out basis.

	Years ended December 31	
	2020	2019
Finished Goods	$ 442,428	$ 77,187
Components	317,277	65,057
Total Inventory	$ 759,705	$ 142,244

Note 13: Leases

The Company determines whether a contract is or contains a lease at inception of the contract and whether that lease meets the classification criteria of a finance or operating lease. When available, the Company uses the rate implicit in the lease to discount lease payments to present value; the Company's leases do not provide a readily determinable implicit rate. Therefore, the Company must discount lease payments based on an estimate of its incremental borrowing rate.

The Company leases its head office in Peterborough, Ontario, Canada from a related-party and its Innovation/ Manufacturing facility in Rotterdam, Netherlands.

The following are the lease related assets and liabilities recorded on the Company's consolidated balance sheet.

	Years ended December 31	
Classification on Balance Sheet	**2020**	**2019**
Assets		
Operating lease right of use assets	498,032	67,304
Total lease assets	**$ 498,032**	**$ 67,304**
Liabilities		
Current liabilities		
Operating lease liability	498,032	67,304
Total lease liability	**$ 498,032**	**$ 67,304**

The lease expense for the period ended December 31, 2020 was $ 136,629 (2019: $142,742).

Note 14: Stock Option Plan

The Company's 2017 Equity Incentive Plan (the "Option Plan") was established to attract, retain, incentivize and motivate officers and employees of, consultants to, and non-employee directors providing services to the Company and its subsidiaries and affiliates and to promote the success of the Company by providing such participating individuals with a proprietary interest in the performance of the Company. Effective July 3, 2017, at the time of completion of the Merger, the Board adopted the Option Plan under which up to twenty percent of the outstanding shares of common stock of the Company ("Shares") may be reserved for the issuance of options to purchase Shares ("Options").

The Option Plan is administered by the Board, which shall have all of the powers necessary to enable it to carry out its duties under the Option Plan, including the power and duty to construe and interpret the Option Plan and to

Note 14: Stock Option Plan (Continued)

determine all questions arising under it. Under the Option Plan, "Eligible Individuals" includes officers, employees, consultants, advisors and non-employee directors providing services to the Company and its subsidiaries and affiliates. The Board will determine which Eligible Individuals will receive grants of options.

Commencing July 3, 2017, in fulfillment of conditions contained in the share exchange agreement and other contracts, the Board authorized the grant of the following Options:

- 3,996,000 Options to four individuals who are officers and/or directors as compensation for the termination of certain RWI stock option rights; these options are fully vested, expire on July 2, 2022 and are exercisable at a price of $0.15 per Share;
- 8,625,000 Options to seven individuals who are officers and/or directors or contractual service providers; one third of these Options vested on July 3, 2017 while the balance vest monthly over a period of 24 months; they have a term of 5 years and are exercisable at a price of $0.15 per Share;
- 500,000 Options to a director; 100,000 of these Options vested on July 3, 2017 while the balance vest monthly over a period of 24 months; they have a term of 5 years and are exercisable at a price of $0.25 per Share;
- 1,300,000 Options to an officer; 150,000 of these options vested on October 10, 2017; 283,334 vested on January 13, 2018 and the balance vest monthly over a period of 24 months thereafter; they have a term of 5 years and are exercisable at a price of $0.25 per Share.
- 200,000 Options to a contractual service provider; one third of these options vested on July 4, 2017; the balance vest monthly over a period of 24 months thereafter; they have a term of 5 years and are exercisable at a price of $0.15 per Share.
- 100,000 Options to a contractual service provider; one third of these options vested on July 4, 2017; the balance vest monthly over a period of 24 months thereafter; they have a term of 5 years and are exercisable at a price of $0.15 per Share.
- 1,000,000 Options to a contractual service provider; one third of these options vested on July 4, 2017; the balance vest monthly over a period of 24 months thereafter; they have a term of 5 years and are exercisable at a price of $0.25 per Share.
- 1,250,000 Options to a contractual service provider; 250,000 exercisable at $0.15 per Share (the “Initial Grant”) and 1,000,000 exercisable at $0.25 per Share (the “Second Grant”) both have a term of 5 years. One half of the Initial Grant (125,000) vested on January 15, 2018; the remaining (125,000) of the Initial Grant vest and are exercisable monthly, pro-rata over the 18 month period (6,945 per month) commencing January 15, 2018. One third of the Second Grant (333,333) vested and are exercisable on January 15, 2018; the remaining 666,667 from the Second Grant vest and are exercisable monthly, pro-rata over the 24-month period commencing January 15, 2018.
- 625,000 Options to the five members of the Company’s Strategic Advisory Board; vesting monthly commencing July 3, 2017 over a period of 24 months, have a 5 year term and are exercisable at a price of $0.40 per Share.
- 1,000,000 Options to a contractual service provider; 333,333 of these options vested on February 15, 2018; the balance vest monthly over a period of 24 months thereafter; they have a term of 5 years and are exercisable at a price of $0.25 per Share.
- On February 15, 2018, the Board authorized the grant of 500,000 options to a newly appointed Director of the Board; 100,000 vested on February 15, 2018 with the remainder vesting monthly over a period of 24 months with a term of 5 years and exercisable at a price of $0.25 per Share.

Note 14: Stock Option Plan (Continued)

- On April 15, 2018, the Board authorized the grant of 500,000 options to a newly appointed Director of the Board; 100,000 vested on April 15, 2018 with the remainder vesting monthly over a period of 24 months with a term of 5 years and exercisable at a price of $0.25 per Share.
- Effective September 30, 2019, the Board of Directors approved the immediate vesting of all remaining options resulting in the immediate recognition of the of the remaining option expense.
- In January 2020 all holders of options agreed to waive their right to exercise the above options.
- On January 22, 2020 the Company entered into a three year consulting agreement with a third party for consulting and business development services. The contract includes 75,000,000 warrants as follows:
    - 25,000,000 exercisable at $0.20 per warrant, effective January 22, 2020
    - 25,000,000 exercisable at $0.30 per warrant, effective January 22, 2021
    - 25,000,000 exercisable at $0.40per warrant, effective January 22, 2022

  On December 22, 2020 the Company terminated this agreement thereby cancelling the 2nd and 3rd warrant blocks. The first tranche of 25,000,000 remain in effect under the same conditions and expiring January 21, 2023.
- On January 21, 2020 the Company entered into a three-year consulting agreement with a company controlled by its new CEO. The contract included 3,600,000 warrants with an exercise price of $0.20 vesting in equal amounts commencing the effective date of the contract. On December 31, 2020 this contract was terminated. The warrants vested immediately and the exercise price was amended to $0.10. As well, the Company granted an additional 500,000 warrants which vested immediately at an exercise price is $0.10. All expire December 31, 2025.
- On October 1, 2020 the Company entered into a consulting agreement with an Advisor which granted warrants in full compensation for services. It included 13,500,000 warrants at an exercise price of $0.30 expiring October 1, 2023 and of 15,000,000 warrants at an exercise price of $0.15 expiring October 1, 2025.

Warrants			
Vested Dec 31, 2019	**Granted To Dec 31, 2020**	**Vested To Dec 31, 2020**	**Non-Vested To Dec 31, 2020**
0	57,600,000	57,600,000	0

- For the period ended December 31, 2020 the Company recorded a stock option expense of $10,892,625. The Company used the Black-Scholes option-pricing model to determine the grant date fair value of stock-based awards under ASC 718.

Note 14: Stock Option Plan (Continued)

- The assumptions used in the Company's Black Scholes option pricing is as follows:

Stock Price	$0.127-$0.27
Exercise Price	$0.10-$0.30
Number of Options Granted	57,600,000
Dividend Yield	0%
Expected Volatility	164-363%
Weighted Average Risk-Free Interest Rate	.17-2.25%
Term (in years)	3-5

Note 15: Income Taxes

The Company recognizes deferred tax assets and liabilities using the asset and liability method. Deferred tax assets and liabilities are recorded based on the differences between the financial statement and tax bases of assets and liabilities and the tax rates in effect when these differences are expected to reverse. This method requires the reduction of deferred tax assets by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. As of December 31, 2020, the Company's deferred tax assets relate to net operating loss ("NOL") carryforwards that were derived from operating losses and stock-based compensation from prior years. A full valuation allowance has been applied to the Company's deferred tax assets. The valuation allowance will be reduced when and if the Company determines it is more likely than not that the related deferred income tax assets will be realized. At December 31, 2020, the Company had federal net operating loss carryforwards, which are available to offset future taxable income, of $ 4,850,267. The Company's NOL carryforwards can be carried forward to offset future taxable income for a period of 20 years for each tax year's loss. These NOL carryforwards begin to expire in 2037. No provision was made for federal income taxes as the Company has significant NOLs in the United States, Netherlands and Canada. All of the Company's income tax years remained open for examination by taxing authorities.

	Years ended December 31	
	2020	**2019**
Net Loss	(22,300,794)	(8,019,386)
Add back:		
Stock Compensation	10,892,624	6,009,336
Amortization of Debt Discount	220,334	10,984
Taxable Income	(11,187,836)	(1,999,066)
Tax Rate	21%	21%
Deferred Tax Asset:		
Net Operating Loss	2,349,446	419,804
Valuation Allowance	(2,349,446)	(419,804)
Net Deferred Asset	-	-

Note 16: Asset Retirement Obligation

The Company recorded an asset retirement obligation of $29,665 in preparation for the dismantling and removal of its Leeuwarden turbine. The turbine has been dismantled at a cost of $16,273 with a gain on retirement of $13,392. The asset retirement obligation has been removed.

Note 17: European Commission Grant

In Q3 2019 the Company was awarded a EUR $2.3 million European Commission Grant to develop and construct the first off-grid water desalination system 100% powered by renewable energy in the Canary Islands. The original project duration was September 1, 2019 to August 31, 2021 however because of COVID-19 the Company has filed for an extension of the Project to May 31, 2022. To fulfill its obligations under the grant, the Company is required to build and deliver a wind and solar driven water to water machine to the Canary Islands by May 2022. The milestones are in-house testing of the first industrial prototype by June 2021 followed by implementation and demonstration of the system and technology in the Canary Islands by spring of 2022. The Company will recognize the first tranche of grant revenue following conclusion of in-house testing. Official closing and audit of the project will be August 31, 2022.

Note 18: Investments

The Company acquired 22.5% interest in a Joint Venture with Rainmaker Water (Pvt) Ltd. of Sri Lanka with an investment of $112,000. The Company will be issued an additional 5% interest in the JV for every Air-to-Water machine RAKR deploys to the JV up to a maximum holding of 49% interest in the JV. This JV, like others, will deliver WaaS by distributing water to the communities on a per liter basis. The JV will produce, mineralize and purify to World Trade Organization standards, and establish an environmentally friendly bottling solution. There has been no activity in the JV as of December 31, 2020 due to COVID. As a result, there is no requirement to reflect a change in the equity method investment.

Note 19: Subsequent Events

On February 4, 2021 the Company issued 2,000,000 shares of restricted common stock at $0.0375 per share for total proceeds of $75,000 received in 2020 that were included as stock payable in stockholders' equity as of 12/31/2020.

On February 8th and 9th, 2021 the Company issued a total of 8,607,322 shares of restricted common stock at $0.09 per share converted from outstanding promissory notes totaling $774,649 owed to current and past management.

On February 22, 2021 the Company issued convertible promissory notes in the combined amount of $928,000 converting from accounts payable. The notes mature February 22, 2022, bear interest at 10% per annum and are convertible prior to maturity at 70% of the 30-day Volume Weighted Average Price preceding the conversion date. The conversion price not to go below $0.065 per share.

On March 4, 2021 the Company issued a total of 14,276,922 shares of restricted common stock at $0.065 per share for convertible promissory notes issued February 22, 2021 totaling $928,000.

The company is in the midst of internal executive discussions to restructure the Company and its subsidiaries respective balance sheets to facilitate the widest possible range of private and public financing to fuel future growth. The expectation is that in the first quarter of 2021, a restructuring plan will be realized.