

VALDOR TECHNOLOGY INTERNATIONAL INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the period ended March 31, 2022 and 2021

(Stated in US Dollars)

NOTICE OF NO AUDITOR REVIEW

Under National Instrument 51-102, Part 4 subsection 4.3 (3), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the unaudited condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of Valdor Technology International Inc. (the “Company”) have been prepared by and are the responsibility of management.

These condensed interim financial statements for the three months ended March 31, 2022 have not been reviewed or audited by the Company’s independent auditors in accordance with standards established by the Chartered Professional Accountants of Canada.

VALDOR TECHNOLOGY INTERNATIONAL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 March 31, 2022 and December 31, 2021
 (Stated in US Dollars)

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current		
Cash	\$ 40,209	\$ 697,173
Accounts receivable	25,424	18,399
Line of credit – Note 5	<u>200,064</u>	<u>-</u>
Total Assets	<u>\$ 635,697</u>	<u>\$ 715,572</u>
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities	\$ 39,134	\$ 35,018
Due to related parties – Note 6	4,725	3,313
Convertible debentures – Note 7	<u>36,012</u>	<u>35,496</u>
Total Liabilities	<u>79,871</u>	<u>73,827</u>
<u>SHAREHOLDERS' EQUITY</u>		
Equity portion of convertible debentures – Note 8	45,385	45,385
Share capital – Note 8	25,198,874	25,198,874
Contributed surplus – Note 8	5,434,017	5,434,017
Accumulated other comprehensive income	84,387	54,365
Accumulated deficit	<u>(29,571,929)</u>	<u>(29,455,730)</u>
Attributable to parent	1,190,734	1,276,911
Non-controlling interest	<u>(634,908)</u>	<u>(635,166)</u>
Total shareholders' Equity	<u>555,826</u>	<u>641,745</u>
Total Liabilities and Shareholders' Equity	<u>\$ 635,697</u>	<u>\$ 715,572</u>

Going Concern of Operations – Note 2b

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

“Lucas Russell”

Director

“Francis Rowe”

Director

VALDOR TECHNOLOGY INTERNATIONAL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE LOSS
(Stated in US Dollars)

For the three-month period ended, March 31,	<u>2022</u>	<u>2021</u>
Revenue – Note 10	\$ 58,811	\$ 68,719
Direct costs – Schedule I	<u>(53,980)</u>	<u>(42,270)</u>
Gross profit	<u>4,831</u>	<u>26,449</u>
Expenses		
Administration and general – Schedule II	<u>120,772</u>	<u>64,392</u>
	<u>120,772</u>	<u>64,392</u>
Loss before other items	(115,941)	(37,943)
Gain on write-off of accounts payable and loans payable	-	78,425
Net income (loss) for the period	<u>(115,941)</u>	<u>40,482</u>
Other comprehensive income (loss)		
Exchange differences on translating into presentation currency	<u>30,022</u>	<u>(4,893)</u>
Total comprehensive income (loss) for the period	<u>\$ (85,919)</u>	<u>\$ 35,589</u>
Basic and diluted loss per share	<u>\$ (0.00)</u>	<u>\$ 0.00</u>
Weighted average number of shares outstanding – basic and diluted	<u>65,922,033</u>	<u>14,207,951</u>

For the three-month period ended March 31, 2022

Net losses attributable to:	Shareholders of parent	Non-controlling interest	Total
Net loss for the period	\$ (116,199)	\$ 258	\$ (115,941)
Total comprehensive loss for the period	\$ (86,177)	\$ 258	\$ (85,919)

For the three-month period ended March 31, 2021

Income attributable to:	Shareholders of parent	Non-controlling interest	Total
Net income for the period	\$ 38,946	\$ 1,536	\$ 40,482
Total comprehensive income for the period	\$ 34,053	\$ 1,536	\$ 35,589

VALDOR TECHNOLOGY INTERNATIONAL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2022 and 2021
(Stated in US Dollars)

	<u>2022</u>	<u>2021</u>
Operating Activities		
Net income (loss) for the period from continuing operations	\$ (115,941)	\$ 40,482
Charges to net loss not affecting cash:		
Unrealized foreign exchange gain	22,729	28,884
Gain on write-off of accounts payable and loan payable	-	<u>(78,425)</u>
	<u>(93,212)</u>	<u>(9,059)</u>
Changes in non-cash working capital balances:		
Accounts receivable	(6,968)	(13,514)
Prepaid expenses and deposit	-	399
Accounts payable and accrued liabilities	<u>5,430</u>	<u>(297,449)</u>
Cash flows used in operating activities:	<u>(94,750)</u>	<u>(319,623)</u>
Financing Activities		
Decrease in due to related parties	-	(787,133)
Repayment of loans payable	-	(159,427)
Repayment of convertible debentures	-	(257,217)
Proceeds from issuance of common shares	<u>-</u>	<u>2,375,783</u>
Cash flows provided by financing activities:	<u>-</u>	<u>1,172,006</u>
Investing Activities		
Line of credit	(200,064)	-
Effect of unrealized foreign exchange gain on cash	<u>7,827</u>	<u>5,687</u>
Increase (decrease) in cash during the year	(294,814)	858,070
Cash, beginning of the year	<u>697,196</u>	<u>23,452</u>
Cash, end of the year	<u>\$ 410,209</u>	<u>\$ 881,522</u>

Supplemental disclosure – See Note 13

VALDOR TECHNOLOGY INTERNATIONAL INC.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the period ended March 31, 2022 and 2021
(Stated in US Dollars)

	Share capital		Equity portion	Contributed	Accumulated	Accumulated	Non-	
	Issued	Amount	of convertible	Surplus	Other	Deficit	Controlling	Total
	Shares		debentures		Comprehensive		Interest	
					Income			
Balance, December 31, 2020	5,812,033	22,810,927	45,385	3,856,909	63,472	(27,738,746)	(636,919)	(1,598,972)
Shares issued for cash:								
Private placement	60,000,000	2,369,700	-	-	-	-	-	2,369,700
Stock options exercised	110,000	6,083	-	-	-	-	-	6,083
Transfer of fair value on stock options exercised	-	12,164	-	(12,164)	-	-	-	-
Exchange differences on translating to presentation currency	-	-	-	-	(4,893)	-	-	(4,893)
Net income for the period	-	-	-	-	-	38,946	1,536	40,482
Balance, March 31, 2021	<u>65,922,033</u>	<u>\$ 25,198,874</u>	<u>\$ 45,385</u>	<u>\$ 3,844,745</u>	<u>\$ 58,579</u>	<u>\$ (27,699,800)</u>	<u>\$ (635,383)</u>	<u>\$ 812,400</u>
Balance, December 31, 2021	65,922,033	25,198,874	45,385	5,434,017	54,365	(29,455,730)	(635,166)	641,745
Exchange differences on translating to presentation currency	-	-	-	-	30,022	-	-	30,022
Net loss for the period	-	-	-	-	-	(116,199)	258	(115,941)
Balance, March 31, 2022	<u>65,922,033</u>	<u>\$ 25,198,874</u>	<u>\$ 45,385</u>	<u>\$ 5,434,017</u>	<u>\$ 84,387</u>	<u>\$ (29,571,929)</u>	<u>\$ (634,908)</u>	<u>\$ 555,826</u>

Note 1 Nature of Operations

The Company was incorporated under the British Columbia Company Act on March 19, 1984 and is publicly traded on the Canadian Securities Exchange. During the periods ended March 31, 2022 and 2021, the Company's principal business was developing, manufacturing and marketing of fiber optic products.

The address of the Company's corporate office is 810 789 West Pender Street, Vancouver, BC V6C 1H2.

On December 16, 2021, the Company entered into a share purchase agreement (the "SPA") with Layer 2 Ventures Ltd. ("Layer 2") and the Layer 2 shareholders respecting the acquisition by the Company of all of the issued and outstanding shares of Layer 2 (the "Transaction"). As consideration, the Company will issue an aggregate of 16,666,667 common shares (the "Consideration Shares") at CDN\$0.30 per share, representing aggregate consideration of CDN\$5,000,000. As at the financial statement date, the Transaction has not closed. (Note 16)

Note 2 Basis of Preparation

a) Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with International Accounting Standard ("IAS") IAS 34 "Interim Financial Reporting".

These condensed interim consolidated financial statements do not include all of the information and disclosures required to be included in annual consolidated financial statements prepared in accordance with IFRS. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2021.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 24, 2022.

b) Going Concern of Operations

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. As at March 31, 2022, the Company has not achieved profitable operations, has accumulated losses of \$29,571,929 (2021 - \$29,455,730) since inception and expects to incur further losses in the development of its business which is a material uncertainty that cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations and management is intending to secure additional financing as may be required, there is no assurance it will be able to do so in the future. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Note 2 Basis of Preparation (Continued)

b) Going Concern of Operations (Continued)

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. Management continues to monitor the impact of the pandemic on all aspects of its business but anticipates that it may impact its ability to raise financing.

c) Basis of Measurement

The preparation of financial statements in compliance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. See Note 4 for use of estimates and judgments made by management in the application of IFRS.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss and fair value through other comprehensive income. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The consolidated financial statements are presented in US dollars.

Note 3 Summary of Significant Accounting Policies

These condensed interim consolidated financial statements have been prepared using accounting policies consistent with those used in the preparation of the Company's annual audited consolidated financial statements for the year ended December 31, 2021.

The Company's significant accounting policies are disclosed in Note 3 to the annual financial statements and these condensed interim consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2021.

Future Accounting Pronouncements

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2022. The Company has reviewed these updates and determined that many of these updates are not applicable or consequential to the Company and have been excluded from discussion within significant accounting policies.

Note 4 Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are included in the following notes:

a) Going concern

The assessment of the Company's ability to continue as a going concern requires significant judgment. The consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, as disclosed in Note 2.

b) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Deferred income taxes are based on estimates as to the timing of the reversal of temporary differences, tax rates currently substantively enacted and the determination of tax assets not recognized. Tax assets not recognized are based on estimates of the probability of the Company utilizing certain tax pools and losses in future periods.

c) Functional currency

The analysis of the functional currency for each entity of the Company is a significant judgment. In concluding that the Canadian dollar is the functional currency of the parent and the US dollar is the functional currency of the US subsidiaries, management considered the currency that mainly influences the costs of providing goods and services in each jurisdiction in which the Company operates.

d) Write-off of accounts payable

Assessing the likelihood for which certain of the Company's accounts remain payable requires significant judgment. In determining whether any contractual liability remains where no settlement or release arrangement exists, management applies the statute of limitations.

d) Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Note 5 Line of Credit

In connection with the Transaction (Note 1), the Company will make a “line of credit” (the “Loan”) to Layer 2 for up to \$200,064 (CDN\$250,000) pursuant to a loan agreement and general security agreement between the Company and Layer 2 dated December 16, 2021. The Loan is secured, bears interest at 10% per annum, and is repayable by Layer 2 on the earlier of December 16, 2023 and the date which is 30 days after the termination of the SPA.

Note 6 Due to Related Parties

Due to related parties, representing amounts due to current directors and officers of the Company and companies controlled by directors and officers, and are non-interest bearing, unsecured and are due on demand.

Note 7 Convertible Debentures

During the year ended December 31, 2014, the Company issued CDN\$401,000 convertible debentures of which 20% of the principal amount of the debentures may be convertible into units consisting of one common share and one non-transferable share purchase warrant at CDN\$0.10 of principal outstanding (i.e. up to 802,000 units may be issued upon conversion). Each warrant has a term of three years from the date of issuance of the debentures and entitle the holder to purchase one common share. The non-transferable share purchase warrants are exercisable at the price of CDN\$0.20 per share. The convertible debentures are unsecured, bear interest at 12% per annum and matured on February 18, 2017. The Company defaulted on the repayment. On initial recognition, the Company bifurcated CDN\$49,710 to equity and CDN\$351,290 to the carrying value of the loan, which was accreted to CDN\$401,000 over the term of the convertible debentures. During the year ended December 31, 2021, the Company recognized interest of \$Nil (CDN \$Nil) (December 31, 2020: \$Nil (CDN \$Nil)).

On November 30, 2018, the Company entered into loan amendment agreements with respect to CDN \$351,290 of the balances outstanding, whereby the Company agreed to repay 10% of the principal amount owing and agreed to repay the remaining 90% within three days of the Company completing a private placement of common shares to raise gross proceeds in the minimum amount of \$400,000. The lenders also agreed to waive all accrued and future interest and agreed to the termination of the conversion option.

In February 2021, the Company paid cash to settle \$254,163 (CDN\$318,500) of convertible debt.

A summary of the convertible debenture balance is shown below:

	Liability	Equity	Total
	\$	\$	\$
Balance, December 31, 2020	285,493	45,385	330,878
Settlement	(254,163)	-	(254,163)
Foreign exchange	4,166	-	4,166
Balance, December 31, 2021	35,496	45,385	80,881
Foreign exchange	516	-	516
Balance, March 31, 2022	36,012	-	36,012

Note 8 Share Capital

a) Authorized:

Unlimited common shares without par value
50,000,000 preferred shares without par value

Nature and Purpose of Equity and Reserves:

The reserves recorded in equity on the Company's consolidated statements of financial position include 'Contributed Surplus', 'Accumulated Other Comprehensive Income', 'Accumulated Deficit' and 'Non-Controlling Interest'.

'Contributed Surplus' is used to recognize the value of stock option grants prior to exercise and the allocated value of the warrants issued as part of unit issuances.

'Accumulated Other Comprehensive Income' is used to record the change in cumulative foreign currency adjustment on conversion from the functional currency of the parent company to the presentation currency.

'Accumulated Deficit' is used to record the Company's change in deficit from profits or losses from year to year.

'Non-Controlling Interest' is used to record the change in equity in subsidiaries not attributable, directly or indirectly, to the Company.

b) Issued:

Shares issued during the period ended March 31, 2022

No shares were issued during the period ended March 31, 2022.

Shares issued during the year ended December 31, 2021

In February 2021, the Company issued 60,000,000 units at a price of CDN\$0.05 per unit for net proceeds of \$2,369,700 (CDN\$3,000,000). Each unit consists of one common share of the Company and one transferable five year share purchase warrant. Each warrant allows the holder to purchase one further common share of the Company at a price of CDN\$0.30 per share on or before February 8, 2026.

In February 2021, the Company issued 110,000 common shares pursuant to the exercise of share purchase options at CDN\$0.07 per share for net proceeds of \$6,083 (CDN\$7,700).

Note 8 Share Capital – (cont'd)

c) Commitments

Stock-Based Compensation Plan

The Company has an incentive stock option plan in place under which it is authorized to grant options to directors, officers, employees and consultants to acquire up to 20% of the Company's issued and outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 5 years prior to listing on an exchange, and 10 years after being listed on an exchange. Vesting periods are determined by the Board of Directors.

The Company has granted employees and directors common share purchase options. These options are granted with an exercise price in accordance with the stock option plan.

A summary of the status of the stock options as of March 31, 2022 and December 31, 2021 and changes during the years then ended on those dates is presented below:

	2022		2021	
	Options	Weighted Average Exercise Price	Options	Options
Outstanding at the beginning of the year	6,550,000	CDN\$0.30	110,000	110,000
Granted	-	-	6,550,000	6,550,000
Exercised	-	-	(110,000)	(110,000)
	<u>6,550,000</u>	<u>CDN\$0.30</u>	<u>6,550,000</u>	<u>6,550,000</u>
Options outstanding at end of the period	<u>6,550,000</u>	<u>CDN\$0.30</u>	<u>6,550,000</u>	<u>6,550,000</u>
Options exercisable at end of the period	<u>6,550,000</u>	<u>CDN\$0.30</u>	<u>6,550,000</u>	<u>6,550,000</u>

At March 31, 2022, the Company has 6,550,000 options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Outstanding	Exercisable	Exercise Price	Expiry Date
6,550,000	6,550,000	CDN \$0.30	December 1, 2026

As of March, 31, 2022, the 6,550,000 (2021 – 6,550,000) options outstanding have a weighted average remaining contractual life of 4.67 (2021 – 4.92) years.

Note 8 Share Capital – (cont’d)

c) Commitments (cont’d):

Stock-Based Compensation Plan (cont’d)

During the year ended December 31, 2021, the Company recorded stock-based compensation expense of \$1,589,272 (2020: \$Nil) for stock options vested during the year. The fair value of share purchase options granted was estimated on the grant date. The weighted average assumptions used in calculating fair value of options granted in 2021 were as follows: CDN\$0.31 (2020 - Nil CDN -\$Nil) share price on grant date, 1.30% (2020 – 0%) risk free rate, 0% (2020 – 0%) dividend yield, 216.43% (2020 – 0%) expected annualized volatility, 5.00 years (2020 – Nil years) expected stock option life and 0% (2020 – 0%) forfeiture rate. Expected annualized volatility was estimated by reference to historical volatility of the Company with a comparable period in their lives.

Share Purchase Warrants

A summary of the status of share purchase warrants as of March 31, 2022 and December 31, 2021 and changes during the periods then ended on those dates is presented below:

	2022		2021	
	Warrants	Warrants	Warrants	Weighted Average Exercise Price
Balance, beginning of the period	60,000,000	60,000,000	-	-
Issued	-	-	60,000,000	-
Balance, end of the period	60,000,000	60,000,000	60,000,000	-

At March 31, 2022, the Company has 60,000,000 share purchase warrants outstanding and exercisable as follows:

Outstanding	Exercise Price	Expiry Date
60,000,000	CDN \$0.30	February 8, 2026

Note 9 Related Party Transactions

Key management personnel include those persons having the authority and responsibility for planning and controlling the activities of the Company. Key management of the Company are considered directors and officers. The Company incurred the following expenses with directors and officers of the Company and companies controlled by the directors:

	<u>2022</u>	<u>2021</u>
Administrative expenses to other related parties		
Consulting fees	\$ -	\$ 2,370
Rent reimbursement	<u>-</u>	<u>2,370</u>
	<u>-</u>	<u>4,740</u>
Key management compensation		
Consulting fees	7,503	-
Management fees	<u>8,293</u>	<u>2,962</u>
	<u>15,796</u>	<u>2,962</u>
	<u>\$ 15,796</u>	<u>\$ 7,702</u>

Note 10 Segmented Information and Economic Dependence

During the period ended March 31, 2022 and 2021, the Company has one reportable segment.

During the period ended March 31, 2022, the Company was economically dependent on two (2021: one) customer who accounted for more than 10% of revenue and in aggregate accounted for 96% (2021: 95%) of sales.

During the period ended March 31, 2022 and 2021, all of the revenue was generated from the sale of products.

The Company's revenues are allocated to geographic segments for the period ended March 31, 2022 and 2021 as follows:

	<u>2022</u>	<u>2021</u>
United States of America	\$ 58,811	\$ 68,719
	<u>\$ 58,811</u>	<u>\$ 68,719</u>

The Company's net loss and total non-current assets are allocated to geographic segments for the period ended March 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Canada	\$ (120,236)	\$ (9,981)
United States of America	<u>4,295</u>	<u>(25,608)</u>
Net loss	<u>\$ (115,941)</u>	<u>\$ (35,589)</u>

Note 11 Financial Instruments

A fair value hierarchy prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (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 carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities, loans payable, convertible debentures, and due to related parties approximate their fair values due to their short term nature.

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

a) 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. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. The Company provides credit to its clients in the normal course of operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent losses. The Company's maximum exposure to credit risk is the carrying amounts of cash and accounts receivable on the consolidated statements of financial position.

The aging analysis of the accounts receivable is as follows:

	<u>2022</u>	<u>2021</u>
Current to 3 months	\$ 21,109	\$ 28,166
Trade receivables	21,109	28,166
Goods and services tax recoverable	<u>4,315</u>	<u>5,299</u>
	<u>\$ 25,424</u>	<u>\$ 33,465</u>

Trade accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of the counterparty to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 365 days past due.

b) Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. As at March 31, 2022, the Company has a working capital of \$555,826 (2021 – \$641,745). There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. The Company may seek additional financing through equity and debt offerings and advances from related parties, but there can be no assurance that such financing will be available on terms acceptable to the Company.

Note 11 Financial Instruments (continued)

c) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The company is not exposed to significant risks associated with the effects of fluctuations in the prevailing levels of market interest rates.

d) Foreign Currency Risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The majority of the Company's operations are carried out in the United States of America; however the majority of financing is carried out in Canada. The parent company's operations are in Canada and operate in Canadian dollars. As at March 31, 2022, the Company has Canadian dollars cash of CDN\$444,263, accounts receivable of CDN\$5,392, accounts payable of CDN\$54,287 and convertible debentures payable of CDN\$45,000. These factors expose the Company to foreign currency exchange rate risk, which could have a material adverse effect on the ultimate profitability of the Company. A 10% change in the exchange rate would change other comprehensive income by approximately USD\$20,000 (2021 - \$31,000). The Company currently does not plan to enter into foreign currency future contracts to mitigate this risk.

Note 12 Management of Capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its business and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' deficit, as well as cash.

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

The Company is dependent on the capital markets as its main source of operating capital and the Company's capital resources are largely determined by the strength of the technology and telecommunications markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support.

The Company is not subject to any external capital requirements. There is no change to the Company's approach to capital management since the year ended December 31, 2021.

Note 13 Supplemental Cash Flows Information

	<u>2022</u>		<u>2021</u>
Interest received (paid)	\$	-	\$ -
Income taxes received (paid)	\$	-	\$ -
Dividends received (paid)	\$	-	\$ -

There were no non-cash investing and financing activities.

Note 14 Proposed Fundamental Transaction

On December 16, 2021, the Company entered into a share purchase agreement (the “SPA”) with Layer 2 Ventures Ltd. (“Layer 2”) and the Layer 2 shareholders respecting the acquisition by the Company of all of the issued and outstanding shares of Layer 2 (the “Transaction”). As consideration under the Transaction, the Company will issue an aggregate of 16,666,667 common shares (the “Consideration Shares”) at CDN\$0.30 per share, representing aggregate consideration of CDN\$5,000,000. In addition to any hold periods or escrow provisions imposed under applicable securities laws or stock exchange policies, the Consideration Shares will be subject to voluntary hold periods as follows: 50% of the Consideration Shares will be subject to a voluntary six month hold period from closing; and the remaining 50% of the Consideration Shares will be subject to a voluntary 12 month hold period from closing.

In connection with the Transaction, the Company, in its sole discretion, may conduct a private placement financing for gross proceeds of up to CDN\$5,000,000 through the issuance of up to 16,666,667 units (each, a “Unit”) at a price of CDN\$0.30 per Unit, with each Unit to be comprised of one common share and one warrant, each warrant exercisable for an additional common share at an exercise price of CDN\$0.75 for two years after the date of issuance.

In addition, in connection with the Transaction, the Company will make a “line of credit” (the “Loan”) to Layer 2 for up to CDN\$250,000 (advanced CDN\$250,000 on January 7, 2022) pursuant to a loan agreement and general security agreement between the Company and Layer 2 dated December 16, 2021. The Loan is secured, bears interest at 10% per annum, and is repayable by Layer 2 on the earlier of December 16, 2023 and the date which is 30 days after the termination of the SPA.

The Transaction will be a “fundamental change” of the Company pursuant to the policies of the Canadian Securities Exchange (“CSE”), requiring approval from the CSE and approval of the Company’s shareholders.

VALDOR TECHNOLOGY INTERNATIONAL INC.

Schedule I

CONSOLIDATED SCHEDULES OF DIRECT COSTS

For the period ended March 31, 2022 and 2021

(Stated in US Dollars)

	<u>2022</u>	<u>2021</u>
Inventories recognized as an expense	\$ 480	\$ 270
Subcontractor	<u>53,500</u>	<u>42,000</u>
	<u>\$ 53,980</u>	<u>\$ 42,270</u>

VALDOR TECHNOLOGY INTERNATIONAL INC.

Schedule II

CONSOLIDATED SCHEDULE OF ADMINISTRATIVE AND GENERAL EXPENSES

For the period ended March 31, 2022 and 2021

(Stated in US Dollars)

	<u>2022</u>	<u>2021</u>
Bank charges	\$ -	\$ 217
Consulting fees – Note 9	46,991	4,739
Investor relations	-	2,269
Legal and accounting fees	27,131	37,283
Management fees – Note 9	8,293	2,962
Office and miscellaneous	13,080	1,286
Rent – Note 9	-	2,370
Foreign exchange	18,468	-
Stock exchange filing fees	6,809	8,736
Telephone and utilities	-	958
Transfer agent fees	<u>-</u>	<u>3,572</u>
	<u>\$ 120,772</u>	<u>\$ 64,392</u>