VALDOR TECHNOLOGY INTERNATIONAL INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

(Stated in US Dollars)

WDM CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

To the Shareholders of:
VALDOR TECHNOLOGY INTERNATIONAL INC.

Opinion

We have audited the accompanying consolidated financial statements of Valdor Technology International Inc., which comprise the consolidated statements of financial position as at December 31, 2022, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated statement of financial position of the Company as at December 31, 2022, and its consolidated financial performance and cash flows for the year ended December 31, 2022 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 2(b) in the consolidated financial statements, which describe certain conditions that indicate the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on May 2, 2022.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Share-based payments

The Company measures equity-settled share-based payments for directors, officers, and employees at fair value at the date of grant using the Black-Scholes valuation model and recorded as compensation expense in the consolidated financial statements.

Revenue recognition

The Company measures revenue based on the consideration specified in the related contract with the customer. The Company recognizes revenue from the sale of products upon shipment and when all significant contractual obligations have been satisfied and collection is reasonably assured.

Our audit procedures included, among others, evaluating the methodologies, assumptions and date used by the Company.

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Other Information
Management is responsible for the other information. The other information obtained at the date of the auditor's report includes Management's Discussion and Analysis. Our opinion on the consolidated financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

As part of an audit in accordance with Canadian auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

WDM

Chartered Professional Accountants

Vancouver, B.C.
April 26, 2023

VALDOR TECHNOLOGY INTERNATIONAL INC.

Consolidated Statements of Financial Position

As at December 31, 2022 and 2021
(Stated in US Dollars)

	Note	2022 $	2021 $
ASSETS			
CURRENT			
Cash		80,188	697,173
Accounts receivable		32,610	18,399
Loan receivable	5	59,982	-
		172,780	715,572
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		16,470	35,018
Due to related parties	6	4,725	3,313
Debentures	7	33,225	35,496
		54,420	73,827
SHAREHOLDERS' EQUITY			
Equity portion of convertible debentures	7	-	45,385
Share capital	8	25,198,874	25,198,874
Contributed surplus	8	5,910,749	5,434,017
Accumulated other comprehensive income (loss)		(67,332)	54,365
Accumulated deficit		(30,288,841)	(29,455,730)
Attributable to parent		753,450	1,276,911
Non-controlling interest		(635,090)	(635,166)
		118,360	641,745
		172,780	715,572

Going Concern of Operations (Note 2b)
Fundamental Transactions (Note 14)

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

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

"Lucas Russell"	*"Francis Rowe"*
Lucas Russell, Director	Francis Rowe, Director

VALDOR TECHNOLOGY INTERNATIONAL INC.

Consolidated Statements of Operations and Comprehensive Loss

For the Years Ended December 31, 2022 and 2021
(Stated in US Dollars)

	Note	2022 $	2021 $
REVENUE			
Revenue	11	210,249	262,551
Direct costs	Schedule I	(203,001)	(227,535)
		7,248	35,016
EXPENSES			
Administration and general	Schedule II	196,830	262,351
Share-based payments	8	476,732	1,589,272
		673,562	1,851,623
LOSS BEFORE OTHER ITEMS		(666,314)	(1,816,607)
Other items			
Gain on write-off of accounts payable		-	81,431
Gain on write-off of loans payable		-	19,945
Loan receivable provision	5	(235,357)	-
Recovery of bad debt		23,251	-
NET LOSS FOR THE YEAR		(878,420)	(1,715,231)
OTHER COMPREHENSIVE LOSS			
Exchange differences on translating into presentation currency		(121,697)	(9,107)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(1,000,117)	(1,724,338)
BASIC AND DILUTED LOSS PER SHARE		(0.02)	(0.03)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – BASIC AND DILUTED		65,922,033	59,496,307

December 31, 2022:

Net Income (losses) attributable to:	Shareholders of parent	Non-controlling interest	Total
Net loss for the year	$ (878,496)	$ 76	$ (878,420)
Total comprehensive loss for the year	$ (1,000,193)	$ 76	$ (1,000,117)

December 31, 2021:

Net Income (losses) attributable to:	Shareholders of parent	Non-controlling interest	Total
Net loss for the year	$ (1,716,984)	$ 1,753	$ (1,715,231)
Total comprehensive loss for the year	$ (1,726,091)	$ 1,753	$ (1,724,338)

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

VALDOR TECHNOLOGY INTERNATIONAL INC.

Consolidated Statements of Cash Flows

For the Years ended December 31, 2022 and 2021

(Stated in US Dollars)

	2022 $	2021 $
CASH PROVIDED FROM (UTILIZED FOR):		
OPERATING ACTIVITIES		
Net loss for the year from continuing operations	(878,420)	(1,715,231)
Charges to net loss not affecting cash:		
Share-based payments	476,732	1,589,272
Interest income	(20,583)	-
Impairment of loan receivable	235,357	-
Foreign exchange	(105,410)	-
Gain on write-off of accounts payable	-	(81,431)
Gain on write-off of loans payable	-	(19,945)
	(292,324)	(227,335)
Changes in non-cash working capital balances:		
Accounts receivable	(14,463)	1,587
Prepaid expenses and deposit	-	393
Accounts payable and accrued liabilities	(15,085)	(318,427)
	(321,872)	(543,782)
FINANCING ACTIVITIES		
Increase (decrease) in due to related parties	-	(781,267)
Proceeds (repayment) from loans payable	-	(139,496)
Repayment of convertible debentures	-	(254,163)
Proceeds from issuance of common shares	-	2,375,783
	-	1,200,857
INVESTING ACTIVITIES		
Line of credit	(206,734)	-
Loan receivable	(62,030)	-
	(268,764)	-
Effect of unrealized foreign exchange gain (loss) on cash	(26,349)	16,646
(DECREASE) INCREASE IN CASH	(616,985)	673,721
Cash, beginning of the year	697,173	23,452
CASH, END OF THE YEAR	80,188	697,173

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

VALDOR TECHNOLOGY INTERNATIONAL INC.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2022 and 2021

(Stated in US Dollars)

	Share capital		Equity portion of convertible debentures	Contributed Surplus	Accumulated Other Comprehensive Income (loss)	Accumulated Deficit	Non-Controlling Interest	Total
	Issued Shares	Amount						
	#	$	$	$	$	$	$	$
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
Share-based payments	-	-	-	1,589,272	-	-	-	1,589,272
Transfer of fair value on stock options exercised	-	12,164	-	(12,164)	-	-	-	-
Exchange differences on translating to presentation currency	-	-	-	-	(9,107)	-	-	(9,107)
Net loss for the year	-	-	-	-	-	(1,716,984)	1,753	(1,715,231)
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	-	-	-	-	(121,697)	-	-	(121,697)
Share-based compensation	-	-		476,732	-	-	-	476,732
Convertible debenture	-	-	(45,385)	-	-	45,385		
Net loss for the year	-	-	-	-	-	(878,496)	76	(878,420)
Balance, December 31, 2022	65,922,033	25,198,874	-	5,910,749	(67,332)	(30,288,841)	(635,090)	118,360

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

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 years ended December 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 1, 2022, the Company entered into a binding letter of intent (the "LOI") with 1000175307 Ontario Ltd. ("1000175307") which contemplates the acquisition by Valdor of all of the issued and outstanding common shares of 1000175307 (the "1000175307 Transaction") from the shareholders of 1000175307. 1000175307 is party to a letter of intent that contemplates a transaction pursuant to which 1000175307 may have the option to acquire a 90% interest in and to mining rights located in South America. (Note 14).

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 "Layer 2 Transaction"). As consideration, the Company will issue an aggregate of 16,666,667 common shares (the "Consideration Shares") at CAD$0.30 per share, representing aggregate consideration of CAD$5,000,000. As at the financial statement date, the Layer 2 Transaction has been terminated (Note 14).

NOTE 2 - BASIS OF PREPARATION

a) Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and which were in effect as of December 31, 2022.

The consolidated financial statements were authorized for issue by the Board of Directors on April 26, 2023.

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 December 31, 2022, the Company has not achieved profitable operations, has accumulated losses of $30,288,841 (2021 - $29,455,730) since inception and expects to incur further losses in the development of its business which is a material uncertainty that casts 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.

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.

NOTE 2 - BASIS OF PREPARATION (Continued)

c) Basis of Measurement (Continued)

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

The significant accounting policies set out below have been applied consistently in all material respects to all years presented in these consolidated financial statements, unless otherwise indicated.

a) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and the accounts of the following companies which the Company has control:

Company	Country of Incorporation	Percentage Held 2022	2021	Principal Activity
Fiberlight Optics, Inc.	USA	94%	94%	Inactive
Valdor Fiber Optics, Inc.	USA	94%	94%	Sale of fiber optics products

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. All inter-company transactions and balances have been eliminated.

b) Cash Equivalents

The Company considers all highly liquid instruments which are readily convertible into cash with maturities of three months or less when purchased to be cash equivalents. As at December 31, 2022 and 2021, the Company did not hold any cash equivalents.

c) Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined using the first-in-first-out method and includes the cost of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The Company held no inventory as at December 31, 2022 and 2021.

d) Foreign Currency Translation

The Company's functional currency is the Canadian dollar as it is the currency in which the majority of the funding is obtained to continue operations and uses the US dollar as its presentation currency. The functional currency of the US subsidiaries is US dollars as it is the currency in which the majority of their sales and expenses are incurred.

Monetary assets and liabilities of a company that are denominated in a currency other than the functional currency are translated at the exchange rate in effect at the period end. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Foreign Currency Translation (Continued)

Revenue and expense items are translated at the average rates of exchange prevailing during the year. Gains or losses from translation are recognized in profit or loss in the period in which they occur.

The financial results and position of operations whose functional currency is different from the Company's presentation currency is translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation to the presentation currency are transferred directly to the Company's currency translation reserve in accumulated other comprehensive income.

e) Revenue Recognition

Revenue is measured based on the consideration specified in the related contract with the customer. Most of the Company's revenues have a single performance obligation as the promise to transfer the individual goods. The Company recognizes revenue from the sale of products upon shipment and when all significant contractual obligations have been satisfied and collection is reasonably assured.

f) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments. The Company's options and warrants are classified as equity when a fixed amount of options or warrants are issuable for a fixed amount of cash.

The Company follows the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component. The fair value of the common shares issued in the private placement was determined to be the more easily measurable component and were valued at their fair value on the announcement date and the balance, if any, is allocated to the attached warrants.

The proceeds from the exercise of stock options, share purchase warrants and escrow shares are recorded as share capital in the amount for which the stock options, share purchase warrants or escrow shares enabled the holder to purchase a share in the Company.

Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issue costs incurred in advance of share subscriptions are recorded as non-current deferred charges. Share issue costs related to uncompleted share subscriptions are charged to operations.

g) Basic and Diluted Earnings (Loss) per Share

Basic earnings (loss) per share is calculated by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings (loss) per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted earnings (loss) per share are the same for the years presented.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Share-based Payments

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant using the Black-Scholes valuation model and recorded as compensation expense in the consolidated financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the vesting period based on the Company's estimate of shares that will eventually vest on a tranche-by-tranche basis. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

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

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The Company also makes an estimate of the forfeiture rate based on historical information.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital along with any consideration paid. If the options expire unexercised, the amount remains in contributed surplus.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

i) Income Taxes

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

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

Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, except for taxable temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the date of the statement of financial position and are expected to apply when the deferred tax asset or liability is settled.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Income Taxes (Continued)

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred income tax assets and liabilities, if any, are presented as non-current.

j) Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Classification

At initial recognition, the Company classifies its financial assets in the following categories depending on the business model in which they are held and the characteristics of their contractual cash flows: fair value through profit or loss (“FVTPL”), fair value through other comprehensive income (“FVOCI”) and amortized cost. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest are measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any change taken through profit or loss or other comprehensive income.

Measurement

Subsequent measurement and changes in fair value will depend on their initial classification. Financial instruments at FVTPL are measured at fair value and changes in fair value are recognized in profit or loss. Financial instruments at FVOCI are measured at fair value with changes in fair value recorded in other comprehensive income. The remaining financial instruments are measured at amortized cost using the effective interest rate method less any impairment.

The Company’s financial assets are comprised of cash and accounts receivable, both of which are measured at amortized cost.

The Company’s liabilities include accounts payable and accrued liabilities, due to related parties, loans payable and convertible debentures which are measured at amortized cost. After initial recognition, an entity cannot reclassify any financial liability.

Impairment

The Company assesses on a forward-looking basis the expected credit loss associated with financial assets measured at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 12(a) for further details.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Financial Instruments (Continued)

For financial assets that are measured at amortized cost, an entity will now always recognize (at a minimum) 12 month expected losses in profit or loss, calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Lifetime expected losses will be recognized on assets for which there is a significant increase in credit risk after initial recognition.

Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Compound Financial Instruments

Compound financial instruments issued by the Company comprise convertible debentures that can be converted into shares of the Company at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to the initial recognition, the liability component of a compound financial instrument is accreted over the life of the loan using the effective interest method and measured at amortized cost. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition. Interest, dividends, losses and gains relating to the financial liability are recognized in profit or loss. When the conversion option is exercised, the consideration received is recorded as share capital and the equity component of the compound financial instrument is transferred to share capital.

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

k) 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.

e) 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 Layer 2 Transaction (Note 1), the Company has provided 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 Company entered into an amending agreement on June 3, 2022 and increased the Loan to $217,273 (CDN$280,000). 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. During the year ended December 31, 2022, the Company recorded interest income of $20,183 and recorded a loan receivable provision of $235,357 due to collection uncertainty.

(Stated in US Dollars)

NOTE 5 - LINE OF CREDIT (Continued)

Loan Receivable

In connection with the 1000175307 Transaction (Note 1), the Company will make a loan (the "Loan") to 1000175307 for up to CDN$100,000 (advanced $59,982 (CDN$80,718) during the year ended December 31, 2022) pursuant to a loan agreement and general security agreement between the Company and 1000175307 dated December 21, 2022. The Loan is secured, bears interest at 10% per annum, and is repayable by 1000175307 on or before the date (the "Maturity Date") which is 30 days after: (a) the date of termination of the LOI (unless the LOI is terminated in conjunction with the execution of the Definitive Agreement) or the Definitive Agreement; or (b) the date that is two (2) years following the Effective Date; provided however that the Company will forgive CDN$20,000 of the unpaid Loan Amount if 1000175307 has repaid the remaining aggregate unpaid Loan Amount together with all accrued and unpaid interest on or prior to the Maturity Date. During the year ended December 31, 2022, the Company recorded interest income of $400.

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, are non-interest bearing, unsecured and are due on demand.

NOTE 7 - 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, 2022, the Company recognized interest of $Nil (CDN $Nil) (December 31, 2021: $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. During the year ended December 31, 2022, the Company reclassified $45,385 from equity portion of convertible debenture to accumulated deficit.

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

A summary of the 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
Conversion feature termination	-	(45,385)	(45,385)
Foreign exchange	(2,271)	-	(2,271)
Balance, December 31, 2022	33,225	-	33,225

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 (loss)' 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 year ended December 31, 2022

No shares were issued during the year ended December 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).

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.

(Stated in US Dollars)

NOTE 8 - SHARE CAPITAL (Continued)

c) Commitments (Continued)

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

	Number of options	Weighted average exercise price $
Balance, January 1, 2020	110,000	CDN$0.07
Granted	6,550,000	CDN$0.30
Exercised	(110,000)	CDN$0.07
Balance, December 31, 2021	6,550,000	CDN$0.30
Balance, January 1, 2022	6,550,000	CDN$0.30
Granted	6,550,000	CDN$0.10
Expired	(50,000)	CDN$0.30
Balance, December 31, 2022	13,050,000	CDN$0.30

As at December 31, 2022, the Company has 13,050,000 options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Expiry date	Exercise price $	Outstanding	Exercisable
December 1, 2026	CDN $0.30	6,500,000	6,500,000
September 19, 2027	CDN $0.10	6,550,000	6,550,000
Total		13,050,000	13,050,000

As of December 31, 2022, the 13,050,000 (2021 – 6,550,000) options outstanding have a weighted average remaining contractual life of 4.32 (December 31, 2021 – 4.92) years.

During the year ended December 31, 2022, the Company recorded stock-based compensation expense of $476,732 (2021: $1,589,272) for stock options vested during the year. The fair value of share purchase options granted was estimated on the grant date of September 19, 2022 using the Black Scholes Option Pricing Model. The weighted average assumptions used in calculating fair value of options granted were as follows: CDN$0.095 share price on grant date, 3.41% risk free rate, 0% dividend yield, 263.33% expected annualized volatility, 5.00 years expected stock option life and 0% forfeiture rate. Expected annualized volatility was estimated by reference to historical volatility of the Company with a comparable period in their lives.

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) 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.

(Stated in US Dollars)

NOTE 8 - SHARE CAPITAL (Continued)

c) Commitments (Continued)

Share Purchase Warrants

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

	Warrants Outstanding Numbers	Weighted average exercise price $
Balance, January 1, 2020	-	-
Issued	60,000,000	0.30
Balance, December 31, 2021	60,000,000	0.30
Balance, January 1, 2021	60,000,000	0.30
Issued	-	-
Balance, December 31, 2022	60,000,000	0.10

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

Expiry date	Exercise price $	Number of warrants
February 8, 2026	CDN $0.10	53,800,000
February 8, 2026	CDN $0.30	6,200,000
Total		60,000,000

The Company announced the amendment of the exercise price of a total of 53,800,000 share purchase warrants of the Company (the "Amended Warrants"). Each Amended Warrant is exercisable for one common share in the capital of the Company (each, a "Share") at an exercise price of $0.10 per Share, reduced from the original exercise price of $0.30 per Share.

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.

For years ended December 31, 2022, and 2021, the Company incurred the following expenses with directors and officers of the Company and companies controlled by the directors:

Administrative expenses to other related parties	2022 $	2021 $
Consulting fees	-	9,576
Rent reimbursement	-	9,576
	-	19,152

(Stated in US Dollars)

NOTE 9 - RELATED PARTY TRANSACTIONS (Continued)

Key management compensation	**2022 $**	**2021 $**
Consulting fees	4,227	4,389
Management fees	38,654	14,763
Share-based payments	36,393	136,059
	79,274	155,211

NOTE 10 - INCOME TAXES

The total income tax recovery varies from the amounts that would be computed by applying the statutory income tax rate to loss before income taxes as follows:

	2022 $	**2021 $**
Net loss before income taxes	(878,420)	(1,715,231)
Statutory rates	27%	27%
Expected income tax recovery	(237,000)	(463,000)
Change in statutory foreign tax, foreign exchange rates and others	148,000	104,000
Permanent differences	186,000	429,000
Non-capital losses expired	217,000	491,000
Adjustment to prior years provision versus statutory tax returns	-	(126,000)
Change in unrecognized tax benefits	(314,000)	(435,000)
	-	-

Deferred income tax assets and liabilities are recognized for temporary differences between the carrying amount of the balances on the consolidated statements of financial position and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes to the extent that it is probable that future taxable profit will allow the deferred tax assets to be recovered.

Significant components of the Company's deferred tax assets, after applying enacted corporate income tax rates, are as follows:

	2022 $	**2021 $**
Deferred income tax assets		
Non-capital and net operating losses	3,353,000	3,633,000
Capital losses	502,000	536,000
Capital assets and other	5,000	5,000
	3,860,000	4,174,000
Less: deferred income tax assets not recognized	(3,860,000)	(4,174,000)
Net deferred income tax assets	-	-

(Stated in US Dollars)

NOTE 10 - INCOME TAXES (Continued)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2022 ($)	Expiry Date	2021 ($)	Expiry Date
Temporary Differences				
Allowable capital losses	1,985,000	No expiry date	1,985,000	No expiry date
Non-capital losses available for future periods	14,161,000	See below	15,433,000	See below
Canada	6,306,000	2028 to 2042	6,541,000	2028 to 2041
USA	7,855,000	2023 to 2036	8,892,000	2022 to 2036

NOTE 11 - SEGMENTED INFORMATION AND ECONOMIC DEPENDENCE

During the years ended December 31, 2022 and 2021, the Company had one reportable segment.

During the year ended December 31, 2022, the Company was economically dependent on two (2021: one) customers who accounted for 97% (2021: 96%) of revenue.

During the years ended December 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 years ended December 31, 2022 and 2021 as follows:

	2022 $	2021 $
United States of America	210,249	262,551

The Company's net income (loss) are allocated to geographic segments for the years ended December 31, 2022 and 2021 as follows:

	2022 $	2021 $
Canada	(879,679)	(1,744,445)
United States of America	1,259	29,214
	(878,420)	(1,715,231)

NOTE 12 - 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.

NOTE 12 - FINANCIAL INSTRUMENTS (Continued)

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.

As at December 31, 2022, and 2021, the aging analysis of the accounts receivable is as follows:

	2022 $	2021 $
Current to 3 months	16,249	14,461
Trade receivables	16,249	14,461
Goods and services tax recoverable	16,361	3,938
	32,610	18,399

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 December 31, 2022, the Company has a working capital of $118,360 (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.

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 December 31, 2022, the Company has Canadian dollars cash of CDN$32,707, accounts receivable of CDN$22,159, loan receivable of CAD$81,239 accounts payable of CDN$28,781 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$5,000 (2021 - $70,000). The Company currently does not plan to enter into foreign currency future contracts to mitigate this risk.

NOTE 13 - 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 was no change to the Company's approach to capital management during the year ended December 31, 2022.

NOTE 14 - FUNDAMENTAL TRANSACTIONS

Proposed Fundamental Transaction - 1000175307

On December 1, 2022, the Company entered into a binding letter of intent (the "LOI") with 1000175307 Ontario Ltd. ("1000175307") which contemplates the acquisition by Valdor of all of the issued and outstanding common shares of 1000175307 (the "1000175307 Transaction") from the shareholders of 1000175307. 1000175307 is party to a letter of intent that contemplates a transaction pursuant to which 1000175307 may have the option to acquire a 90% interest in and to mining rights located in South America.

As consideration under the 1000175307 Transaction, Valdor will issue an aggregate of 72,000,000 common shares in the capital of Valdor (the "Consideration Shares") at a deemed price of $0.10 per share, representing aggregate consideration of $7,200,000. In addition to any hold periods or escrow provisions imposed under applicable securities laws or stock exchange policies, it is expected that Consideration Shares will be subject to voluntary hold periods on substantially the following terms: 50% of the Consideration Shares shall be subject to a voluntary six month hold period following closing; and the remaining 50% of the Consideration Shares shall be subject to a voluntary 12 month hold period following closing.

In connection with the 1000175307 Transaction, Valdor intends to conduct a private placement financing (the "Private Placement") for aggregate gross proceeds of no less than $2,500,000 consisting of either (i) common shares in the capital of Valdor (each, a "Share"); or (ii) units (each, a "Unit") with each Unit being comprised of one Share and one Share purchase warrant (the "Warrants"), with each Warrant exercisable for one Share at a price of $0.50 per Warrant for a period of 2 years following closing of the Private Placement. The price per Unit or Share, as applicable, is expected to be no less than $0.10 per Share or Unit. The Company will determine, in the context of the market, if the Private Placement will consist of Shares or Units.

In addition, in connection with the 1000175307 Transaction, the Company will make a loan (the "Loan") to 1000175307 for up to CDN$100,000 (advanced CDN$80,718 during the year ended December 31, 2022) pursuant to a loan agreement and general security agreement between the Company and 1000175307 dated December 21, 2022.

The Loan is secured, bears interest at 10% per annum, and is repayable by 1000175307 on or before the date (the "Maturity Date") which is 30 days after: (a) the date of termination of the LOI (unless the LOI is terminated in conjunction with the execution of the Definitive Agreement) or the Definitive Agreement; or (b) the date that is two (2) years following the Effective Date; provided however that the Company will forgive CDN$20,000 of the unpaid Loan Amount if 1000175307 has repaid the remaining aggregate unpaid Loan Amount together with all accrued and unpaid interest on or prior to the Maturity Date.

NOTE 14 - FUNDAMENTAL TRANSACTIONS (Continued)

Terminated Proposed Fundamental Transaction – Layer 2

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 "Layer 2 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 and amending agreement dated June 3, 2022 for an additional advance of CDN$30,000 (advanced CDN$30,000 on June 2, 2022). 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.

During the year ended December 31, 2022, the Company agreed to terminate the transactions related to the acquisition of all of the issued and outstanding shares of Layer 2. The Company and Layer 2 have agreed to mutually terminate the agreement and the parties are negotiating settlement terms for the outstanding loan.

(Stated in US Dollars)

SCHEDULE I
CONSOLIDATED SCHEDULE OF DIRECT COSTS

	2022 $	2021 $
DIRECT COSTS		
Inventories recognized as an expense	880	1,035
Freight	620	-
Subcontractor	201,501	226,500
	203,001	227,535

SCHEDULE II
CONSOLIDATED SCHEDULE OF ADMINISTRATIVE AND GENERAL EXPENSES

	Note	2022 $	2021 $
ADMINISTRATIVE AND GENERAL EXPENSES			
Bank charges		-	415
Consulting fees	9	131,545	40,464
Investor relations		-	30,311
Legal and accounting fees		82,924	119,024
Management fees	9	38,655	14,763
Office and miscellaneous		74,164	6,260
Rent	9	-	10,058
Foreign exchange		(109,875)	-
Interest income		(20,583)	-
Stock exchange filing fees		-	29,123
Telephone and utilities		-	4,488
Transfer agent fees		-	7,445
		196,830	262,351