# RIFT VALLEY RESOURCES CORP.

## CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Rift Valley Resources Corp.

***Opinion***

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("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 consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

***Material Uncertainty Related to Going Concern***

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of $1,345,210 during the year ended December 31, 2020 and, as of that date, the Company has a negative cash flow from operating activities of $1,022,440 and an accumulated deficit of $5,568,186. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

***Other Information***

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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 generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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

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

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 30, 2021

**RIFT VALLEY RESOURCES CORP.**
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**AS AT DECEMBER 31, 2020 AND 2019**
(Expressed in Canadian Dollars)

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | $ | $ |
| **ASSETS** | | | |
| Current Assets | | | |
| Cash | | 134,348 | 403 |
| Amounts receivable | | 18,816 | 22,359 |
| | | 153,164 | 22,762 |
| Investment in private company | 13 | 237,148 | 186,595 |
| Convertible notes receivable | 5 | 525,746 | – |
| Deposits | 4 | 21,250 | 21,050 |
| | | 937,308 | 230,407 |
| **LIABILITIES** | | | |
| Current Liabilities | | | |
| Accounts payable and accrued liabilities | 6 | 99,666 | 221,480 |
| Decommissioning liabilities | 4 | 21,250 | 21,050 |
| | | 120,916 | 242,530 |
| **SHAREHOLDERS' EQUITY (DEFICIENCY)** | | | |
| Share capital | 7 | 5,561,946 | 3,432,771 |
| Subscriptions received in advance | | 114,205 | 473,155 |
| Contributed surplus | | 708,427 | 304,927 |
| Deficit | | (5,568,186) | (4,222,976) |
| | | 816,392 | (12,123) |
| | | 937,308 | 230,407 |

| | |
|---|---|
| NATURE AND CONTINUANCE OF OPERATIONS | 1 |
| COMMITMENT | 11 |
| SUBSEQUENT EVENTS | 14 |

Approved on behalf of the Board:

*"Griffin Jones"*
Griffin Jones, CEO, Director

*"Ward Muncie"*
Ward Muncie, CFO, Director

## RIFT VALLEY RESOURCES CORP.
### CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
### FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in Canadian Dollars)

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | $ | $ |
| Expenses | | | |
| Consulting fees | 6 | 764,198 | 307,681 |
| Stock based compensation | 6,7 | 383,000 | – |
| Rent and occupancy | | 41,275 | 47,574 |
| Professional fees | | 28,838 | 33,949 |
| Office and miscellaneous | | 27,859 | 12,853 |
| Travel and promotion | | 26,176 | 109,180 |
| Exchange fees | | 8,900 | 8,550 |
| Transfer agent | | 4,140 | 2,414 |
| Filing Fees | | 2,783 | 200 |
| Project costs | | – | 173,858 |
| Write-off of advances receivable | 12 | – | 58,230 |
| | | (1,287,169) | (754,489) |
| Fair value adjustment on convertible note receivable | 5 | (75,408) | |
| Interest income | 5 | 17,367 | – |
| Net loss and comprehensive loss for the year | | (1,345,210) | (754,489) |
| Loss per share, Basic and Diluted | | (0.03) | (0.03) |
| Weighted average common shares outstanding – Basic and Diluted | | 48,006,769 | 29,012,111 |

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

**RIFT VALLEY RESOURCES CORP.**
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**
(Expressed in Canadian Dollars)

| | Note | Number of Shares | Amount | Subscriptions Received in Advance | Contributed Surplus | Accumulated Deficit | Total |
|---|---|---|---|---|---|---|---|
| | | | $ | $ | $ | $ | $ |
| Balance, December 31, 2018 | | 26,527,798 | 2,999,793 | 156,000 | 274,000 | (3,468,487) | (38,694) |
| Shares issued for cash | 7(b) | 6,185,400 | 432,978 | (156,000) | 30,927 | – | 307,905 |
| Subscriptions received in advance | | – | – | 473,155 | – | – | 473,155 |
| Net loss | | – | – | – | – | (754,489) | (754,489) |
| Balance, December 31, 2019 | | 32,713,198 | 3,432,771 | 473,155 | 304,927 | (4,222,976) | (12,123) |
| Shares issued for cash | 7(b) | 43,185,500 | 2,141,775 | – | 17,500 | – | 2,159,275 |
| Share issue costs - cash | 7(b) | – | (9,600) | – | – | – | (9,600) |
| Share issue costs – finders' warrants | 7(b) | – | (3,000) | – | 3,000 | – | – |
| Subscriptions received in advance | | – | – | (358,950) | – | – | (358,950) |
| Stock based compensation | | – | – | – | 383,000 | – | 383,000 |
| Net loss | | – | – | – | – | (1,345,210) | (1,345,210) |
| Balance, December 31, 2020 | | 75,898,698 | 5,561,946 | 114,205 | 708,427 | (5,568,186) | 816,392 |

## RIFT VALLEY RESOURCES CORP.
### CONSOLIDATED STATEMENTS OF CASH FLOWS
### FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in Canadian Dollars)

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | $ | $ |
| CASH PROVIDED BY (USED IN): | | | |
| OPERATING ACTIVITIES | | | |
| Net loss and comprehensive loss for the year | | (1,345,210) | (754,489) |
| Adjustments to Reconcile Net Loss to Net Cash used in Operations: | | | |
| Stock based compensation | | 383,000 | – |
| Accrued interest | | (17,367) | – |
| Fair value loss on convertible notes receivable | | 75,408 | – |
| Write-off of advances receivable | 12 | – | 58,230 |
| Changes in non-cash working capital balances: | | | |
| Amounts receivable | | 3,543 | (11,817) |
| Accounts payable and accrued liabilities | | (121,814) | 141,958 |
| Cash used in operating activities | | (1,022,440) | (566,118) |
| INVESTING ACTIVITIES | | | |
| Investment in private company | 13 | (50,553) | (186,595) |
| Purchase of convertible notes | 5 | (583,787) | – |
| Advances receivable | 12 | – | (58,230) |
| Cash used in investing activities | | (634,340) | (244,825) |
| FINANCING ACTIVITIES | | | |
| Share capital received | | 1,790,725 | 307,905 |
| Subscriptions received in advance | | – | 473,155 |
| Cash provided by financing activities | | 1,790,725 | 781,060 |
| (Decrease) Increase in cash during the year | | 133,945 | (29,883) |
| Cash, beginning of the year | | 403 | 30,286 |
| Cash, end of the year | | 134,348 | 403 |

| | | | |
|---|---|---|---|
| SUPPLEMENTAL DISCLOSURES: | | | |
| Cash paid for interest | | – | – |
| Cash paid for income taxes | | – | – |

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(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Rift Valley Resources Corp. (the “Company” or “Rift Valley”) was incorporated under the Laws of the Province of British Columbia on December 14, 2009. On March 20, 2013, Rift Valley amalgamated with Avatar Ocean Technology Inc. (“Avatar”), a reporting issuer and continued under the name Rift Valley Resources Corp. (the “Company” or “Rift Valley”). The address of the Company’s corporate office and its principal place of business is 2607-1128 Alberni Street, Vancouver, British Columbia, Canada. The Company’s shares were listed on the Canadian Securities Exchange on August 27, 2013.

The Company began operations on September 19, 2011 and its principal business activity was the acquisition, exploration and development of mineral properties in British Columbia, Canada. The Company impaired its mineral property during the year ended December 31, 2015. As of December 31, 2020, the Company’s principal business activity was the evaluation of a wireless service business and other business opportunities.

On April 13, 2017, the Company completed a share consolidation on the basis of five pre-consolidation common shares for each post consolidation common share. As a result, all share amounts presented in these financial statements have been retroactively restated.

On February 27, 2018, 1154515 B.C. Ltd. (“RWI”), a wholly owned subsidiary of the Company, was incorporated in British Columbia, Canada. On March 15, 2019, RWI changed the name to Rural Wireless Inc.

The Company has never generated revenue or positive cash flows from operations. For the years ended December 31, 2020 and 2019, the Company reported a net loss of $1,345,210 (2019 – $754,489), negative cash flow from operating activities of $1,022,440 (2019 – $566,118) and an accumulated deficit of $5,568,186 (2019 – $4,222,976). This raises significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue its operations as intended are dependent on its ability to obtain necessary financing and raise capital sufficient to cover its telecom project development costs.

In early March 2020, there was a global outbreak of coronavirus (COVID-19) that has resulted in changes in global supply and demand of certain products and services. These changes, including a potential economic downturn and any potential resulting direct and indirect negative impact to the Company cannot be determined, but they could have a prospective material impact to the Company’s telecom project development activities, cash flows and liquidity.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements.

2. BASIS OF PRESENTATION

a) Statement of compliance

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

These consolidated financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 30, 2021.

b) Basis of consolidation

These consolidated financial statements include the accounts on the Company and its wholly owned subsidiary. All intercompany transactions and balances are eliminated on consolidation.

| Subsidiary | Jurisdiction | Nature of Operations | Ownership |
|---|---|---|---|
| Rural Wireless Inc. | British Columbia, Canada | Wireless broadband supplier | 100% |

2. BASIS OF PRESENTATION (continued)

c) Measurement basis

These consolidated financial statements have been prepared on the historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Financial Instruments

*Financial assets*

Classification of financial assets

Amortized cost:

Financial assets that meet the following conditions are measured subsequently at amortized cost: The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method.

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

Fair value through other comprehensive income ("FVTOCI"):

Financial assets that meet the following conditions are measured at FVTOCI:
• The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and,
• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not hold any financial assets measured at FVTOCI.

Financial assets measured subsequently at fair value through profit or loss ("FVTPL"):

By default, all other financial assets are measured subsequently at FVTPL.

The Company, at initial recognition, may also irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in loss and comprehensive loss to the extent they are not part of a designated hedging relationship.

The Company's financial assets which are measured at FVTPL are comprised of convertible notes receivable and investment in private company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial Instruments (continued)

*Private company investments (securities of issuers that are not public companies)*

Privately-held investments are classified as non-current assets and are valued at fair value. In situations where fair value is indeterminable or impracticable to determine, the shares are recorded at cost. In such situations, cost is determined by reference to the issue price of similar shares issued by the non-public entity for cash, at or near the time of issue of the shares and in similar volumes. When, at future measurement dates, fair value is still indeterminable or impracticable, cost is used as the measure of fair value. When there is evidence of impairment, the shares are written down to an expected realizable value.

The Company's investment in private company used cost as the measure of fair value. These are included in level 3 of the fair value hierarchy.

*Financial liabilities*

The Company's financial liabilities include accounts payable and accrued liabilities which are all measured at amortized cost. After initial recognition, an entity cannot reclassify any financial liability.

*Impairment*

The Company recognizes a loss allowance for expected credit losses on its financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to the twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. Given the nature and balances of the Company's receivables the Company has no material loss allowance as at December 31, 2020 and 2019.

b) Use of estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses for the periods reported. 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. Significant areas requiring the use of management estimates include the determination of impairment of financial instruments, determining the fair value of share -based compensation, potential decommissioning liabilities and deferred income tax assets and liabilities. Actual results could 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 further periods if the review affects both current and future periods. The more significant areas where management judgement has been applied are:

The fair value of the convertible notes receivable is determined using a discounted cash flow technique which includes inputs that are not based on observable market data and inputs that are derived from observable market data. Where available, the Company seeks comparable interest rates and if unavailable, it uses those considered appropriate for the risk profile of a corporation in the industry.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Use of judgments

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgments or assessments with a significant risk of material adjustment in the next year. The more significant areas where management judgement has been applied are:

(i) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. The directors monitor future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

(ii) Impairment of convertible debentures

The Company makes these judgements on information available, but there is no certainty that a convertible note is impaired or not.

d) Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash. The Company's cash and cash equivalents are invested with major financial institutions in business accounts and is available on demand by the Company for its programs.

e) Derivative instruments

A derivative is a financial instrument whose value changes in relation to changes in a variable, such as an interest rate, or foreign exchange rate. When derivative instruments are acquired, they are recognized in the consolidated statements of financial position as an asset at fair value. The ongoing changes in the fair value of derivative instruments are recognized in income in the year they occur.

f) Decommissioning liabilities

A decommissioning liability is recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. A corresponding amount equivalent to the provision is also recognized as part of the cost of the related asset. The amount recognized is management's estimated cost of decommissioning, discounted to its present value using a risk-free rate. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to the related asset unless the change arises from production. The unwinding of the discount on the decommissioning provision is included as a finance cost. Actual costs incurred upon settlement of the decommissioning liability are charged against the provision to the extent the provision was established.

g) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value of options granted to employees and others providing similar services are measured at grant date and each tranche is recognized on a graded basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

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

i) Share capital

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

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Warrants that are issued as payment for an agency fee or other transaction costs are accounted for as share-based payments.

j) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect the potential dilution that could occur if the dilutive securities were exercised or converted to common shares. The dilutive effect of the options and warrants are computed by application of the treasury stock method and the effect of convertible securities by the “if converted” method. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Income tax

Income tax expense comprises current and deferred income tax. Income tax is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly into equity, in which case the related tax effect is recognized in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax expense is calculated using tax rates, laws and government policies that were enacted or substantively enacted at the statement of financial position date.

Deferred tax is accounted for using a temporary difference approach and is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable income. Deferred tax is calculated based on the expected manner in which temporary differences related to the carrying amounts of assets and liabilities are expected to reverse using tax rates and laws enacted or substantively enacted which are expected to apply in the period of reversal.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination and which do not affect accounting or taxable profit or loss at the time of the transaction.

l) New accounting pronouncements

During the year ended December 31, 2020, the Company adopted certain new accounting standards and pronouncements, none of which had a material impact on the Company's consolidated financial statements.

There are no other standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

4. DEPOSIT AND RECLAMATION BOND

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Mineral property security deposits | 21,250 | 21,050 |
| | 21,250 | 21,050 |

The Company posted a $20,000 reclamation bond to the benefit of the Province of British Columbia in 2012 related to the Cat Mountain Claims. The Company completed exploration activities on the Cat Mountain Claims in 2015. The Company believes that the Province of British Columbia will retain the deposit and apply it to examining the site and reclamation costs and has estimated the reclamation costs to be the same as the reclamation bond.

5. CONVERTIBLE NOTES RECEVIABLES AND DERIVATIVE INSTRUMENTS

During the year, the Company purchased a series of convertible notes from Rural Broadband Inc. at a total cost of $583,787. The notes accrue interest at 10% per annum and mature 2 years from the issue date. The notes have the right to convert to common shares of Rural Broadband Inc. at $0.064 per share. The notes are denominated in USD. The fair value of the convertible notes receivable was determined to be $525,746 as at December 31, 2020. The Company recorded a fair value loss of $75,408 associated with the fair value change on the convertible notes. The Company recorded accrued interest of $17,367 for the year ended December 31, 2020 included in convertible notes receivable.

6. RELATED PARTY TRANSACTIONS AND BALANCES

During the years ended December 31, 2020 and 2019, the Company incurred the following related party transactions:

(a) The Company has identified its directors and senior officers as its key management personnel. No post-employment benefits, other long-term benefits and termination benefits were made during the years ended December 31, 2020 and 2019.
(b) The Company incurred consulting fees to officers and directors in the amount of $168,306 (2019 – $204,226).
(c) The Company incurred stock-based compensation to officers and directors in the amount of $42,370 (2019 – $nil).

As at December 31, 2020, included in accounts payable is $3,725 (2019 – $76,650) due to officers and directors of the Company.

7. SHARE CAPITAL

(a) Authorized Share Capital

The Company is authorized to issue an unlimited number of common shares without par value.

(b) Issued and Outstanding Common Shares

On June 14, 2019, the Company issued 6,185,400 units for total proceeds of $463,905, $30,927 of which was allocated to the residual value of the warrants. Each unit is comprised of one common share and one-half common share purchase warrant. Each full warrant will entitle the holder thereof to purchase one common share at a price of $0.15 per common share. The warrants expire two years from date of issuance.

On March 9 and March 11, 2020, the Company issued 3,500,000 units for total proceeds of $175,000, $17,500 of which was allocated to the residual value of the warrants. Each unit is comprised of one common share and one-half common share purchase warrant. Each full warrant will entitle the holder thereof to purchase one common share at a price of $0.15 per common share. The warrants expire two years from date of issuance.

On July 23, 2020, the Company issued 20,950,000 units for total proceeds of $1,047,500. Each unit is comprised of one common share and one-half common share purchase warrant. Each full warrant will entitle the holder thereof to purchase one common share at a price of $0.15 per common share. The warrants expire two years from date of issuance.

On September 25, 2020, the Company issued 8,491,500 units for total proceeds of $424,575. Each unit is comprised of one common share and one-half common share purchase warrant. Each full warrant will entitle the holder thereof to purchase one common share at a price of $0.15 per common share. The warrants expire two years from date of issuance.

On November 16, 2020, the Company issued 5,844,000 units for total proceeds of $292,200. Each unit is comprised of one common share and one-half common share purchase warrant. Each full warrant will entitle the holder thereof to purchase one common share at a price of $0.15 per common share. The warrants expire two years from date of issuance.

On December 18, 2020, the Company issued 4,400,000 units for total proceeds of $220,000. Each unit is comprised of one common share and one-half common share purchase warrant. Each full warrant will entitle the holder thereof to purchase one common share at a price of $0.15 per common share. The warrants expire two years from date of issuance.

During year ended December 31, 2020, the Company incurred share issue costs of $12,600 (2019 – $nil) comprised of cash commission of $9,600 and 192,000 finders' warrants fair valued at $3,000 using the Black-Scholes option pricing model.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

(c) Warrants

Through certain unit offerings that completed, the Company has issued warrants in addition to shares. Warrant transactions are summarized as follows:

| Warrants outstanding and exercisable | Number of Warrants | Weighted average exercise price |
|---|---|---|
| December 31, 2018 | 3,919,734 | $0.15 |
| Warrants issued | 3,092,700 | $0.15 |
| December 31, 2019 | 7,012,434 | $0.13 |
| Warrants issued | 21,784,750 | $0.15 |
| Warrants expired | (1,882,334) | $0.10 |
| December 31, 2020 | 26,914,850 | $0.15 |

Each warrant is exercisable for a period of two years at an average exercise price of $0.15 per common share. As at December 31, 2020, there were 26,914,850 warrants outstanding with a weighted average remaining contractual life of 1.44 years.

The Company extended 1,200,000 warrants and 837,400 warrants for a period of one year, effective September 27, 2020 and November 29, 2020 respectively.

The Company issued 192,000 finders' warrants on March 9, 2020. The fair value was calculated as $3,000 using the Black Scholes pricing model using the assumptions listed below.

Fair value is particularly impacted by stock price volatility, determined using historical share prices for a term equivalent to the expected life of the warrants.

| | March 9, 2020 |
|---|---|
| Share price on grant date | $0.04 |
| Expected life (years) | 2 |
| Interest rate | 2.00% |
| Volatility | 136% |
| Dividend yield | 0.00% |

As at December 31, the following warrants were outstanding:

| Expiry Date | Number of Warrants | Exercise Price | Weighted average remaining contractual life (years) |
|---|---|---|---|
| June 13, 2021 | 3,092,700 | $0.15 | 0.45 |
| September 27, 2021 | 1,200,000 | $0.15 | 0.74 |
| November 29, 2021 | 837,400 | $0.15 | 0.91 |
| March 9, 2022 | 1,542,000 | $0.15 | 1.19 |
| March 11, 2022 | 400,000 | $0.15 | 1.19 |
| July 23, 2022 | 10,475,000 | $0.15 | 1.56 |
| September 25, 2022 | 4,245,750 | $0.15 | 1.73 |
| November 16, 2022 | 2,922,000 | $0.15 | 1.88 |
| December 18, 2022 | 2,200,000 | $0.15 | 1.96 |
| | 26,914,850 | $0.15 | 1.44 |

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

(d) Stock Options

The Company grants incentive stock options as permitted pursuant to the Company's Stock Option Plan (the "Plan") which complies with the rules and policies of the Exchange.

The Company has a stock option plan under which it is authorized to grant options to its directors, officers, employees, management companies and consultants enabling them to acquire up to 10% of the issued and outstanding shares of the Company. Under the Plan, the exercise price of options granted is determined by the board of directors, provided that the exercise price is not less than the price permitted by an exchange or a quotation system on which the Company's shares may be listed or quoted for trading. The term of any options granted under the Plan is fixed by the board of directors and may not exceed five years from the date of grant. Vesting, if any, and other terms and conditions relating to such options shall be determined by the board of directors of the Company. Any options granted pursuant to the Plan will terminate generally within ninety days of the option holder ceasing to act as a director, officer, employees, or consultant.

| Options outstanding and exercisable | Number of options | Exercise Price | Expiry Date |
|---|---|---|---|
| Balance at December 31, 2018 and 2019 | 2,425,000 | $0.10 | |
| Granted on August 27, 2020 | 3,850,000 | $0.06 | August 27, 2025 |
| Granted on December 15, 2020 | 2,200,000 | $0.08 | December 15, 2025 |
| Expired | (700,000) | $0.09 | |
| Balance at December 31, 2020 | 7,775,000 | $0.075 | |

As at December 31, 2020, the options have a weighted average remaining contractual life of 4.10 years and a weighted average exercise price of $0.075.

The Company issued 3,850,000 stock options on August 27, 2020. The fair value was calculated as $217,438 using the Black Scholes pricing model using the assumptions listed below.

The Company issued 2,200,000 stock options on December 15, 2020. The fair value was calculated as $165,562 using the Black Scholes pricing model using the assumptions listed below.

Fair value is particularly impacted by stock price volatility, determined using historical share prices for a term equivalent to the expected life of the options.

| | December 15, 2020 | August 27, 2020 |
|---|---|---|
| Share price on grant date | $0.08 | $0.06 |
| Expected life (years) | 5 | 5 |
| Interest rate | 2.00% | 2.00% |
| Volatility | 169% | 169% |
| Dividend yield | 0.00% | 0.00% |

(Expressed in Canadian Dollars)

8. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Loss for the year | 1,345,210 | 754,489 |
| Combined statutory rate | 27% | 27% |
| Expected income tax recovery | (363,000) | (204,000) |
| Permanent differences | 88,000 | 3,000 |
| Share issue costs | (3,000) | - |
| Change in unrecognized deductible temporary differences | 278,000 | 201,000 |
| | - | - |

Significant components of the Company's deferred income tax assets are as follows:

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Future income tax rates | 27% | 27% |
| Deferred income tax assets: | | |
| Mineral property interests | 112,000 | 112,000 |
| Marketable securities | 8,000 | - |
| Non-capital loss | 1,335,000 | 1,057,000 |
| Share issue costs | 3,000 | 1,000 |
| Deferred tax assets not recognized | 1,458,000 | 1,170,000 |

As at December 31, 2020, the Company has available non-capital losses of approximately $4,946,000 (2019 – $3,923,000) for deduction against future taxable income, and resource-related expenditures of approximately $414,000 (2019 - $414,000) available for deduction against future Canadian taxable income.

Non-capital losses, if not utilized will expire as follows:

| | |
|---|---|
| 2031 | $ 31,000 |
| 2032 | 308,000 |
| 2033 | 687,000 |
| 2034 | 67,000 |
| 2035 | 481,000 |
| 2036 | 34,000 |
| 2037 | 190,000 |
| 2038 | 1,378,000 |
| 2039 | 747,000 |
| 2040 | 1,023,000 |
| | $ 4,946,000 |

9. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern (see Note 1). The Company does not have any externally imposed capital requirements to which it is subject.

As at December 31, 2020, the Company had capital resources consisting of all components of shareholders' equity. 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 the capital structure, the Company may attempt to issue common shares.

10. FINANCIAL INSTRUMENTS

Fair values

The Company's financial instruments include cash, accounts receivable and accounts payable. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature. The fair value of these financial instruments approximates their carrying value because of the current nature.

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2 – Inputs other than quoted prices 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 that are not based on observable market data.

Private investments that do not have a quoted market price in an active market are evaluated using various techniques including comparative recent financing and other market-based information.

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy as follows:

| | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| | $ | $ | $ |
| As at December 31, 2020: | | | |
| Cash | 134,348 | – | – |
| Investment in private company | – | – | 237,178 |
| Convertible notes receivable | – | – | 525,746 |

Financial risk management objectives and policies

The risks associated with financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*
The Company's expenses are denominated in Canadian dollar. Fluctuations in the exchange rates between the Canadian dollar and the United States dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity to mitigate this risk. The Company has convertible notes receivable denominated in a United States dollar. For the years ended December 31, 2020 management estimates that if the United States dollar had strengthened or weakened by 10% against the Canadian dollar, assuming all other variables remained constant, net income for the year would have increased or decreased by approximately $54,000 (2019 - $nil).

10. FINANCIAL INSTRUMENTS (continued)

(ii) *Interest rate risk*
The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term. The Company has not entered into any derivative instruments to manage interest rate fluctuations.

Should market interest rates rise, then the fair value of the convertible notes receivable may decrease. Conversely, should market interest rates fall, the fair value of these assets may increase. The economic exposure to interest rate risk is mitigated by the Company's intention to either convert the debentures into the related underlying equities or to hold the instrument until maturity. As at December 31, 2020, if interest rates were higher by 1% per annum, the potential effect to the Company would be a decrease in net income of approximately $7,000 (2019 – $nil)

(iii) *Credit risk*
Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash, government receivables, private company shares, and convertible notes receivable. To minimize the credit risk on cash, the Company places the instrument with a financial institution.

Credit risk from convertible notes receivable arises from the possibility that the principal and interest due may become uncollectable. The Company mitigates the risk by managing and monitoring the underlying business relationship.

(iv) *Liquidity risk*
In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and operating activity. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

11. COMMITMENT

On June 12, 2017, the Company executed a consulting agreement with the CEO. The agreement provides for a consulting fee of $3,500 per month for a fixed five (5) year period, commencing June 12, 2017. The CEO resigned as an officer and director on February 20, 2020.

On February 1, 2020, the Company executed a consulting agreement with a Director. The agreement was to increase the consulting fee to $1,500 per month, effective January 1, 2020

12. METROLINK LETTER OF INTENT

On March 22, 2017, the Company entered into a non-binding letter of intent ("LOI") to acquire 100% of the issued and outstanding common shares of Metrolink Solutions Inc. ("Metrolink") in exchange for 58,109,592 common shares of the Company.

On September 3, 2018, the Company and Metrolink entered into an amended LOI that replaces the previous LOI. The LOI is for the Company to acquire 100% of the issued and outstanding common shares of Metrolink Solutions Inc., (the "Transaction"), by issuing one common share of the Company in exchange for every one common share of Metrolink subject to a valuation report or fairness opinion approved by the Canadian Securities Exchange. Subject to completion of the Transaction and approval of the Canadian Securities Exchange, the Company will pay a finder's fee equal to 10% of the total number of shares issued to the shareholders of Metrolink. On April 28, 2020, the Company provided Metrolink Solutions Inc. notice of termination of the LOI.

In connection with the ongoing negotiations, the Company had advanced $996,465 to Metrolink as at December 31, 2018. As at December 31, 2018, the Company determined that the advances were unlikely to be collected and recorded a write-off of $996,465. During the year ended December 31, 2019, the Company advanced an additional $58,230. The Company determined that the advances were unlikely to be collected and recorded a write-off of $58,230.

## 13. INVESTMENT IN PRIVATE COMPANY

Ruralink Broadband Inc. ("RBI"), is an arm' length United States registered corporation. RBI was created to design, license, build and operate telecom projects in the United States.

In November 2019, the Company acquired 2,914,287 common shares of RBI for $0.064 per share, with a total cost of $186,595.

In the year ended December 31, 2020, the Company acquired 770,204 common shares of RBI for $0.064 per share, with a total cost of $50,553.

As at December 31, 2020, as there was no active market for the investments, the investment continues to be carried at the initial cost $237,148.

## 14. SUBSEQUENT EVENTS

a) On February 1, 2021, the Company issued 4,210,167 units for total proceeds of $252,610. Each unit is comprised of one common share and one-half common share purchase warrant. Each full warrant will entitle the holder thereof to purchase one common share at a price of $0.15 per common share. The warrants expire two years from date of issuance.

b) On March 10, 2021, the Company issued 3,316,667 units for total proceeds of $199,000. Each unit is comprised of one common share and one-half common share purchase warrant. Each full warrant will entitle the holder thereof to purchase one common share at a price of $0.15 per common share. The warrants expire two years from date of issuance.