RIFT VALLEY RESOURCES CORP.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020, 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 audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the 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 audit 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 $826,339 during the year ended December 31, 2021 and, as of that date, the Company has a negative cash flow from operating activities of $810,709 and an accumulated deficit of $6,394,525. 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 29, 2022

RIFT VALLEY RESOURCES CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021 AND 2020
(Expressed in Canadian Dollars)

	Note	2021	2020
		$	$
ASSETS			
Current Assets			
Cash		2,686	134,348
GST receivable		23,232	7,852
Deposits and prepaid expenses		9,394	10,964
		35,312	153,164
Investment in private company	12	237,148	237,148
Convertible notes receivable	5	1,648,072	525,746
Deposits	4	21,450	21,250
		1,941,982	937,308
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	6	150,020	99,666
		150,020	99,666
Decommissioning liabilities	4	21,450	21,250
		171,470	120,916
SHAREHOLDERS' EQUITY			
Share capital	7	7,352,787	5,561,946
Subscriptions received in advance		70,250	114,205
Contributed surplus		742,000	708,427
Deficit		(6,394,525)	(5,568,186)
		1,770,512	816,392
		1,941,982	937,308

NATURE AND CONTINUANCE OF OPERATIONS	1
COMMITMENTS	11

Approved on behalf of the Board:

"Thomas Kennedy"
Thomas Kennedy, 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, 2021 AND 2020
(Expressed in Canadian Dollars)

	Note	2021	2020
		$	$
Expenses			
Consulting fees	6	696,300	764,198
Professional fees		58,370	28,838
Stock-based compensation	7	35,073	383,000
Rent and occupancy		33,906	41,275
Travel and promotion		21,350	26,176
Office and miscellaneous		21,295	27,859
Exchange fees		9,000	8,900
Filing Fees		3,375	2,783
Transfer agent		3,657	4,140
		882,326	(1,287,169)
Fair value adjustment on convertible note receivable	5	(64,761)	(75,408)
Interest income		120,748	17,367
Net loss and comprehensive loss for the year		(826,339)	(1,345,210)
Loss per share, Basic and Diluted		(0.01)	(0.03)
Weighted average common shares outstanding		92,172,220	48,006,769

RIFT VALLEY RESOURCES CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in Canadian Dollars)

	Note	Number of Shares	Amount	Subscriptions Received in Advance	Contributed Surplus	Accumulated Deficit	Total
			$	$	$	$	$
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	7(b)	–	–	(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
Options exercised for cash	7(b)	250,000	30,000	–	(12,500)	–	17,500
Shares issued for cash	7(b)	28,200,109	1,787,361	–	–	–	1,787,361
Share issue costs – finders' warrants	7(b)	–	(11,000)	–	11,000	–	–
Share issue costs - cash	7(b)	–	(15,520)	–	–	–	(15,520)
Subscriptions received in advance	7(b)	–	–	(43,955)	–	–	(43,955)
Stock based compensation		–	–	–	35,073	–	35,073
Net loss		–	–	–	–	(826,339)	(826,339)
Balance, December 31, 2021		104,348,807	7,352,787	70,250	742,000	(6,394,525)	1,770,512

RIFT VALLEY RESOURCES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in Canadian Dollars)

	Note	2021	2020
		$	$
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Net loss and comprehensive loss for the year		(826,339)	(1,345,210)
Adjustments to Reconcile Net Loss to Net Cash used in Operations:			
Stock-based compensation		35,073	383,000
Accrued interest		(120,748)	(17,367)
Fair value (gain) loss on convertible notes receivable		64,761	75,408
Changes in non-cash working capital balances:			
GST receivable		(15,380)	7,360
Deposits and prepaid expenses		1,570	(3,817)
Accounts payable and accrued liabilities		50,354	(121,814)
Cash used in operating activities		(810,709)	(1,022,440)
INVESTING ACTIVITIES			
Investment in private company	12	–	(50,553)
Purchase of convertible notes	5	(1,066,339)	(583,787)
Cash used in investing activities		(1,066,339)	(634,340)
FINANCING ACTIVITIES			
Share capital received	7	1,760,906	1,790,725
Share issue costs		(15,520)	–
Cash provided by financing activities		1,745,386	1,790,725
(Decrease) Increase in cash during the year		(131,662)	133,945
Cash, beginning of the year		134,348	403
Cash, end of the year		2,686	134,348

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

(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 #400 1681 Chestnut 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, 2021, the Company’s principal business activity was the evaluation of a wireless service business and other business opportunities.

The Company has never generated revenue or positive cash flows from operations. For the year ended December 31, 2021, the Company reported a net loss of $826,339 (2020 – $1,345,210), negative cash flow from operating activities of $810,709 (2020 – $1,022,440) and an accumulated deficit of $6,394,525 (2020 – $5,568,186). These material uncertainties may cast 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 29, 2022.

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
Ruralink 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 subsidiary 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 fair value are cash, the private company investment, and the conversion feature of the convertible debenture receivable.

The Company's financial assets which are measured at amortized cost are comprised of the debt component of the convertible debenture receivable.

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.

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 and debt component of the convertible debenture receivable the Company has no material loss allowance as at December 31, 2021 and 2020.

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.

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, 2021, 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

	2021	2020
	$	$
Mineral property security deposits	21,450	21,250
	21,450	21,250

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 RECEIVABLE

During the year ended December 31, 2021, the Company purchased a series of convertible notes from Ruralink Broadband Inc. at a total cost of $1,066,340 (2020 – $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 Ruralink 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 $1,648,072 as at December 31, 2021 (2020 – $525,746). During the year ended December 31, 2021, the Company recorded a fair value gain of $64,761 (2020 loss of – $75,408) associated with the fair value change on the convertible notes. During the year ended December 31, 2021, the Company recorded accrued interest of $120,748 (2020 – $17,367) included in convertible notes receivable. The conversion feature of the convertible debenture had been accounted for as a derivative asset. The fair value of the conversion feature was valued at $94,280 using the Black Scholes option pricing model using the following assumptions and has been included in the value of the convertible debenture: share price on grant date of $0.064, expected life of notes of 2 years, risk free interest rate of 0.74%, average volatility of 139% and a dividend yield of 0%.

6. RELATED PARTY TRANSACTIONS AND BALANCES

During the years ended December 31, 2021 and 2020, 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, 2021 and 2020.
(b) The Company incurred consulting fees to officers and directors in the amount of $171,164 (2020 – $168,306).
(c) The Company incurred stock-based compensation to officers and directors in the amount of $17,536 (2020 – $42,370).

As at December 31, 2021, included in accounts payable is $45,125 (2020 – $3,725) 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 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.

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.

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.

On May 3, 2021, the Company issued 7,316,668 units for total proceeds of $439,000. 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.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

(b) Issued and Outstanding Common Shares (continued)

On July 6, 2021, the Company issued 250,000 common shares for gross proceeds of $17,500 pursuant to the exercise of stock options. The Company recorded $12,500 as the fair value of stock options exercised.

On July 19, 2021, the Company issued 7,642,321 units for total proceeds of $496,751. 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 October 8, 2021, the Company issued 5,714,286 units for total proceeds of $400,000. 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 the year ended December 31, 2021, the Company incurred share issue costs of $26,520 (2020 – $12,600) comprised of cash commission of $15,520 (2020 – $9,600) and 258,680 (2020 – 192,000) finders' warrants fair valued at $11,000 (2020 – $3,000) using the Black-Scholes option pricing model.

(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, 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
Warrants issued	14,358,736	$0.15
December 31, 2021	41,273,586	$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, 2021, there were 41,273,586 (2020 – 26,914,850) warrants outstanding with a weighted average remaining contractual life of 0.97years (2020 – 1.44years).

The Company extended 1,200,000, 837,400 and 3,092,700 warrants for a period of one-year, effective September 27, 2020, November 29, 2020 and December 22, 2020 respectively.

During the year ended December 31, 2021, the Company issued 250,680 and 8,000 finders' warrants on February 1, 2021 and March 10, 2021, respectively (2020 – 192,000). The fair value was calculated as $11,000 (2020 – $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 10, 2021	February 1, 2021	March 9, 2020
Share price on grant date	$0.085	$0.075	$0.04
Expected life (years)	2	2	2
Interest rate	0.74%	0.74%	0.74%
Volatility	136%	136%	136%
Dividend yield	0.00%	0.00%	0.00%

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

(c) Warrants

As at December 31, 2021 the following warrants were outstanding:

Expiry Date	Number of Warrants	Exercise Price	Weighted average remaining contractual life (years)
December 13, 2022	3,092,700	$0.15	0.95
March 27, 2023	1,200,000	$0.15	1.24
May 29, 2023	837,400	$0.15	1.41
March 9, 2022	1,542,000	$0.15	0.19
March 11, 2022	400,000	$0.15	0.19
July 23, 2022	10,475,000	$0.15	0.56
September 25, 2022	4,245,750	$0.15	0.73
November 16, 2022	2,922,000	$0.15	0.88
December 18, 2022	2,200,000	$0.15	0.96
February 1, 2023	2,355,764	$0.15	1.09
March 10, 2023	1,666,334	$0.15	1.22
May 3, 2023	3,658,334	$0.15	1.34
July 19, 2023	3,821,161	$0.15	1.54
October 8, 2023	2,857,143	$0.15	1.77
	41,273,586	$0.15	0.97

(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 15% (2020 – 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, 2019	2,225,000	$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	(750,000)	$0.09	
Balance at December 31, 2020	7,525,000	$0.075	
Granted on February 17, 2021	500,000	$0.07	February 17, 2021
Exercised	(250,000)	$0.07	July 6, 2021
Balance at December 31, 2021	7,775,000	$0.075	

As at December 31, 2021, the options have a weighted average remaining contractual life of 3.36 years and a weighted average exercise price of $0.075.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

(d) Stock Options (continued)

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.

The Company issued 500,000 stock options on February 17, 2021. The fair value was calculated as $35,073 using the Black Scholes pricing model using the assumptions listed below.

On July 6, 2021, 250,000 stock options were exercised.

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.

	February 17, 2021	December 15, 2020	August 27, 2020
Share price on grant date	$0.07	$0.08	$0.06
Expected life (years)	5	5	5
Interest rate	2.00%	2.00%	2.00%
Volatility	169%	169%	169%
Dividend yield	0.00%	0.00%	0.00%

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:

	2021	2020
	$	$
Loss for the year	826,339	1,345,210
Combined statutory rate	27%	27%
Expected income tax recovery	(223,000)	(363,000)
Permanent differences	20,000	88,000
Share issue costs	(4,000)	(3,000)
Change in statutory, foreign exchange rates and other	3,000	–
Change in unrecognized deductible temporary differences	204,000	278,000
	-	-

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

	2021	2020
	$	$
Future income tax rates	27%	27%
Deferred income tax assets:		
Mineral property interests	112,000	112,000
Convertible notes receivable	13,000	8,000
Non-capital loss	1,532,000	1,335,000
Share issue costs	5,000	3,000
	1,662,000	1,458,000
Unrecognized deferred tax assets	(1,662,000)	(1,458,000)
Net deferred tax assets	–	–

(Expressed in Canadian Dollars)

8. INCOME TAXES (continued)

As at December 31, 2021, the Company has available non-capital losses of approximately $5,673,000 (2020 – $4,946,000) for deduction against future taxable income, and resource-related expenditures of approximately $414,000 (2020 - $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
2041	727,000
	$5,673,000

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, 2021, 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, investment in private company, convertible notes 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 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 company 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.

10. FINANCIAL INSTRUMENTS (continued)

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, 2021:			
Cash	2,686	–	–
Investment in private company	–	–	237,178
Derivative portion of Convertible notes receivable	–	–	94,280

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 year ended December 31, 2021 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 period would have increased or decreased by approximately $144,000 (2020 - $54,000).

(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, 2021, if interest rates were higher by 1% per annum, the potential effect to the Company would be a decrease in net income of approximately $12,000 (2020 – $7,000).

(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. COMMITMENTS

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.

On November 21, 2021, the Company executed a consulting agreement with three Directors. The agreements were to pay a consulting fee of $500 per month, effective July 1, 2021.

12. 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.