GEOLOGICA RESOURCE CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in Canadian Dollars)

GEOLOGICA RESOURCE CORP.

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To: the Shareholders of
Geologica Resource Corp.

Opinion

I have audited the consolidated financial statements of Geological Resource Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statement of loss and comprehensive loss, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flow for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

I draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $245,726 during the year ended December 31, 2021 and, as of that date, the Company had not yet achieved profitable operations, had accumulated losses of $2,308,949 since its inception, and expects to incur further losses in the development of its business. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Other Information
Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

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

In connection with my audit of the consolidated financial statements, my 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 my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I are required to report that fact. I 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
My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I are required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that I 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 my independence, and where applicable, related safeguards.

The engagement practitioner on the audit resulting in this independent auditor's report is Sam S. Mah, CPA, CA.

"Sam S. Mah Inc."

Chartered Professional Accountant

Burnaby, BC, Canada
May 5, 2022

GEOLOGICA RESOURCE CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at December 31, 2021	As at December 31, 2020
ASSETS		
Current		
Cash	$ 73,019	$ 24,001
Advances	6,717	5,412
GST receivable	5,672	8,520
Prepaid expenses	37,000	2,924
	122,408	40,857
Non-Current		
Exploration and evaluation assets (Note 6)	69,976	31,426
	192,384	72,283
LIABILITIES		
Current		
Accounts payable and accrued liabilities	83,425	31,055
Loans payable (Note 8)	44,438	46,039
Due to related parties (Note 10)	84,765	62,165
Subscriptions received (Note 9)	-	30,000
	212,628	169,259
Non-Current		
Loans payable (Note 8)	65,367	56,000
Convertible notes (Note 9)	-	98,750
	277,995	324,009
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (Note 11)	1,696,489	1,296,597
Subscription received (Note 11)	-	10,000
Contributed surplus (Note 11)	514,277	492,328
Equity component of convertible debt (Note 9)	12,572	12,572
Deficit	(2,308,949)	(2,063,223)
Total deficiency	(85,611)	(251,726)
	$ 192,384	$ 72,283

Nature and continuance of operations (Note 1)
Commitment (Note 17)
Subsequent event (Note 18)

Approved by the directors:

"Doug Unwin" *"Derick Sinclair"*

GEOLOGICA RESOURCE CORP.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

		Year ended December 31, 2021		Year ended December 31, 2020
Expenses:				
Accounting and audit fees (Note 10)	$	25,000	$	26,000
Consulting fees (Note 10)		13,000		69,619
Finance fee (Note 9)		16,160		-
Interest and bank charges (Note 8, Note 9)		15,755		15,631
Legal fees		62,211		2,699
Management fees (Note 10)		57,500		12,000
Marketing		2,500		2,250
Office and administration		8,849		884
Transfer agent and filing fees		31,157		5,155
Total expenses		(232,132)		(134,238)
Loss on repayment of convertible debt (Note 9)		(6,540)		-
Write-off of accounts payable		-		829
Write-off of GST receivable		(7,054)		-
Write-off of expense advances		-		(2,150)
Net loss from continuing operations		(245,726)		(135,559)
Net loss from discontinued operations (Note 4)		-		(225,386)
Net loss and comprehensive loss for the year		(245,726)		(360,945)
Loss per share – Basic and diluted*	$	(0.02)	$	(0.07)
Weighted average number of common shares outstanding*		9,847,679		5,111,752

***Post 1:2.5 share consolidation (Note 11)**

	Year ended December 31, 2021	Year ended December 31, 2020
Operating Activities		
Net loss for the year	$ (245,726)	$ (360,945)
Items not involving cash:		
Accrued interest and other financing costs	13,110	14,322
Interest on long-term debt paid in shares	900	-
Finance fee	16,160	-
Loss on repayment of convertible debt	6,540	-
Write-off of accounts payable	-	(1,204)
Write-off of GST receivable	7,054	-
Write-off of expense advances	-	19,410
Loss on disposal of subsidiary	-	208,297
	(201,962)	(120,120)
Changes in non-cash working capital item related to operations:		
Advances	(1,306)	(1,058)
GST receivable	(4,206)	11,201
Prepaid expenses	(31,576)	48,945
Accounts payable and accrued liabilities	39,119	16,445
Cash used in operating activities	(199,931)	(44,587)
Investing Activities		
Investment in exploration and evaluation assets	(20,298)	(31,426)
Cash used in investing activities	(20,298)	(31,426)
Financing Activities		
Proceeds from issuance of common shares	198,630	-
Share issuance costs	(20,000)	-
Share subscription received	-	10,000
Issuance of loans payable	30,000	-
Payment of loans payable	(28,400)	-
Issuance of convertible notes	130,000	35,000
Payment of convertible notes	(71,584)	-
Convertible note subscriptions received	-	30,000
Change in due to related parties	30,601	24,961
Cash provided by financing activities	269,247	99,961
Increase in cash during the year	49,018	23,948
Cash, beginning of the year	24,001	53
Cash, end of the year	$ 73,019	$ 24,001

Supplemental cash flow information (Note 16)

GEOLOGICA RESOURCE CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Number of Shares*	Share Capital $	Subscriptions Received $	Contributed Surplus $	Equity component of convertible debt $	Deficit $	Total $
Balance, December 31, 2019	5,111,752	1,608,675	-	180,250	12,572	(1,702,278)	99,219
Subscription received	-	-	10,000	-	-	-	10,000
Modification of warrants	-	(312,078)	-	312,078	-	-	-
Loss for the year	-	-	-	-	-	(360,945)	(360,945)
Balance, December 31, 2020	5,111,752	1,296,597	10,000	492,328	12,572	(2,063,223)	(251,726)
Shares issued for cash	1,986,300	178,460	-	20,171	-	-	198,631
Shares issued for debt settlement	205,000	20,500	(10,000)	-	-	-	10,500
Share issuance costs	-	(20,000)	-	-	-	-	(20,000)
Broker warrants	-	(1,778)		1,778	-	-	-
Conversion of convertible debt	4,674,000	197,650	-	-	-	-	197,650
Bonus shares issued on convertible debt (Note 9)	323,200	16,160	-	-	-	-	16,160
Shares issued for exploration and evaluation assets (Note 6)	50,000	5,000	-	-	-	-	5,000
Finance fees on loans payable (Note 8)	30,000	3,000	-	-	-	-	3,000
Interest on loans payable paid in shares (Note 8)	9,000	900	-	-	-	-	900
Loss for the year	-	-	-	-	-	(245,726)	(245,726)
Balance, December 31, 2021	12,389,252	1,696,489	-	514,277	12,572	(2,308,949)	(85,611)

***Post 1:2.5 share consolidation (Note 11)**

1. Nature and Continuance of Operations

Geologica Resource Corp. (the "Company") was incorporated on March 6, 2016 under the BC Business Corporations Act as a wholly-owned subsidiary of Pacific Therapeutics Inc. ("PT"), a public company the common shares of which trade on the Canadian Securities Exchange ("CSE"). The head office of the Company is located at 1735 – 555 Burrard St. Vancouver, BC V7X 1M9. The registered and records office of the Company is located at the same address. The Company was spun off from PT on October 13, 2016 by way of a plan of arrangement. Effective February 24, 2021, the Company changed its name from Cabbay Holdings Corp. to Geologica Resource Corp.

The Company's principal business activities are the exploration of natural resource properties. The recovery of the Company's investment in resource properties and related deferred expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to develop the properties and establish future profitable production from the properties, or from the proceeds of their disposition. The Company has not earned any revenues to date and is in the exploration stage.

The exploration and evaluation property in which the Company has an interest in is in the exploration stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and cover administrative costs, the Company will use its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire interests in additional properties if there is sufficient geologic or economic potential and if adequate financial resources are available to do so.

On closing of the plan of arrangement with PT and the Company, the Company held an agreement with ForwoRx Therapeutics Inc. for sale and purchase of PT's technology focused on repurposing and reformulating existing approved drugs as well as developing proprietary drug technologies from late-stage pre-clinical testing through phase 2 clinical trials. This agreement was transferred to the Company's wholly owned subsidiary Alta-Sun Samson Holdings Corp. ("Alta-Sun"). During the year ended December 31, 2020, the Company lost control of Alta-Sun (Note 4). The Company no longer has a direct interest in this agreement.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2021, the Company has no source of revenue and does not generate cash flows from operating activities. The Company had a net loss for the year ended December 31, 2021 of $245,726 (2020: $360,945) and an accumulated deficit at December 31, 2021 of $2,308,949 (2020: $2,063,223).

1. Nature and Continuance of Operations (continued)

The Company expects to incur further losses in the development of its business. The Company's ability to continue as a going concern is dependent upon its ability to raise adequate funding through equity or debt financings to discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

To the date of this report, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic lowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. As at the date of this report, the Company has not been significantly impacted by the spread of COVID-19. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

2. Statement of Compliance and Basis of Presentation

(a) Statement of Compliance

These consolidated financial statements of the Company for the years ended December 31, 2021 and 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements were approved and authorized for issue by the board of directors on May 5, 2022.

(b) Basis of Presentation

These consolidated financial statements were prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

2. Statement of Compliance and Basis of Presentation (continued)

(c) Principles of consolidation

The consolidated financial statements include the financial statements of the Company and the following subsidiary:

Alta-Sun Samson Holdings Corp. - Disposed (Note 4)

All intercompany transactions, balances, revenue and expenses are eliminated on consolidation.

3. Significant Accounting Policies

(a) Use of Estimates

The Company makes estimates and assumptions about the future that affect the reported amount of assets and liabilities. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is measured prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions, relate to, but are not limited to, the following:

<u>Estimates:</u>

Share-based payments and compensation

The Company has applied estimates with respect to the valuation of shares issued for non-cash consideration. Shares are valued at the fair value of the equity instruments granted at the date the Company receives the goods or services.

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimated fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the fair value of the underlying common shares, the expected life of the share option, volatility and dividend yield and making assumptions about them. The fair value of the underlying common shares is assessed as the most recent issuance price per common share for cash proceeds. The assumptions and models used for estimating fair value for share-based payment transactions are discussed in Note 11.

3. Significant Accounting Policies (continued)

Deferred income tax

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimates of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances (see Note 12).

Judgments:

Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company. That judgment may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available.

Going Concern

The assumption is that the Company is a going concern and will continue into the foreseeable future. The factors considered by management are disclosed in Note 1.

Revenue

Collectability of the annual maintenance fee from ForwoRx, as discussed in Note 5.

Contingent consideration

Probability that the Company will complete an initial public offering by August 20, 2022, as discussed in Note 8.

3. Significant Accounting Policies (continued)

(b) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

(c) Property, plant and equipment

Property, plant and equipment is recorded at cost. Amortization is provided on a declining balance basis at the following annual rates:

Computer equipment	55%

In the year of acquisition, only one-half the normal rate is applied.

(d) Intangible assets

Finite life intangible assets are comprised of ACMPR licensing application and other items which are recorded at cost less accumulated amortization and accumulated impairment losses. The estimated useful life and amortization method are reviewed at the end of each reporting period, and the effects of any changes are reported on a prospective basis.

Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

(e) Exploration and evaluation assets

Exploration and evaluation expenditures relate to the initial search for a mineral deposit and the subsequent evaluation to determine the economic potential of the mineral deposit. The exploration and evaluation stage commences when the Company obtains the legal right or license to begin exploration. This stage ends when management judges there is sufficient evidence to support the probability of future mining operations of economically recoverable reserves.

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of exploration and evaluation assets are capitalized on a property-by property basis pending determination of the technical feasibility and the commercial viability of the project. The capitalized costs are presented as either tangible or intangible exploration, and evaluation assets according to the nature of the assets acquired. When a license is relinquished, or a project is abandoned, the related costs are recognized in profit and loss immediately.

Management reviews the carrying value of capitalized exploration and evaluation expenditures at least annually. The review is based on the Company's intentions for development. If a project does not prove viable or the Company does not otherwise intend to develop, all unrecoverable costs associated with the project net of any impairment provisions are written off. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped property.

3. Significant Accounting Policies (continued)

(f) Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to the statement of loss and comprehensive loss for the period.

(g) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the asset may be impaired. If there is any indication the asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is measured as the higher of an asset's or cash generating unit's fair value less costs to sell and value in use. If the recoverable amount of an asset or cash generating unit is less than its carrying amount, the carrying amount of the asset is reduced to its fair value with the loss recognized in income or loss.

3. Significant Accounting Policies (continued)

(h) Leases

The Company recognizes a right-of-use asset and a lease liability for its leases with lease terms greater than one year. The right-of-use asset is measured at cost and depreciated over its estimated useful life. At the commencement date, the lease liability is measured as the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease or if that rate cannot readily be determined, the Company's incremental borrowing rate. If the lease terms are subsequently changed, the present value of the lease liability is remeasured using the revised lease terms and applying the appropriate discount rate to the remaining lease payments. The Company recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, of the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the remeasurement in profit or loss.

(i) Loss per share

Basic loss per share is calculated based on the weighted average number of shares outstanding during the period. The treasury stock method is used for determining the dilutive effect of options and warrants issued in calculating the diluted earnings per share. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants, and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the year ended December 31, 2021, this calculation proved to be anti-dilutive and therefore diluted per share amounts do not differ from basic per share amounts.

(j) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

(k) Flow-through shares

Under the Canadian Income Tax Act, an enterprise may issue securities referred to as flow-through shares, whereby the investor may claim the tax deductions arising from qualifying expenditures that the Company made with the proceeds. The increase to share capital when flow-through shares are issued is measured based on the current market price of common shares. The incremental proceeds or "premium" are recorded as a deferred credit. When expenditures are renounced, a deferred tax liability is recognized, and the deferred credit is reversed. The net amount is recognized as a deferred income tax recovery.

3. Significant Accounting Policies (continued)

(l) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity reserve. Consideration received on the exercise of stock options is recorded as share capital and the related amount in equity reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from share-based payments reserve. For those options that expire or are forfeited after vesting, the recorded value is transferred to deficit.

(m) Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets result from unused loss carry-forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

(n) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through Other Comprehensive Income (“OCI”), or through profit or loss), and
- Those to be measured at amortized cost.

The classification depends on the Company’s business model for managing the financial assets and contractual terms of the cash flows. For assets measured at fair value, gains or losses are recorded in profit or loss or OCI.

3. Significant Accounting Policies (continued)

The Company has classified its cash at fair value through profit or loss. The company's advances are held at amortized cost.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), the transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in the entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. There are measurement categories under which the Company classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measures at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through OCI ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the Statement of Loss and Comprehensive Loss in the period which it arises.

Impairment of Financial Assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses of the credit risk on the financial asset has increased significantly since initial recognition.

3. Significant Accounting Policies (continued)

If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Financial Liabilities

The Company classifies its financial liabilities into the following categories: financial liabilities at FVTPL and amortized cost.

A financial liability is classified as FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows: the amount of change in fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of the change in the fair value is presented in profit or loss. The Company does not designate any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest rate method. The Company classifies its accounts payable and accrued liabilities, loans payable, due to related parties, and convertible notes as financial liabilities held at amortized cost.

(m) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible notes due from related parties that can be converted to shares at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest rate method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

4. Discontinued Operations

On October 16, 2020, Alta-Sun issued 100,000 common shares at a price of $0.001 per share to an arm's-length party. As a result, the Company lost control of its wholly owned subsidiary. Alta-Sun held the intellectual property for the development of therapies for fibrosis and erectile disfunction (Note 5) and the ACMPR license assets (Note 7).

Consequently, the assets and liabilities held by Alta-Sun were derecognized from the statements of financial position. The Company recognized a corresponding loss on derecognition of Alta-Sun as follows:

Bank indebtedness	$	(12)
GST receivable		1,250
Intellectual property		1
License costs		237,899
Accounts payable and accrued liabilities		(30,841)
Net assets disposed		208,297
Loss on derecognition of subsidiary	**$**	**208,297**

As of October 16, 2020, December 31, 2020, and December 31, 2021 the Company has balance of $386,656 due from Alta-Sun. In the Company's judgement, no portion of the amount will be recognized until collection can be assured. The Company measures the loss allowance for the receivable at an amount equal to the lifetime expected credit losses of the credit risk to be $386,656.

The operations of Alta-Sun have been classified as discontinued operations. Income and losses relating to the discontinued operations have been eliminated from the Company's continuing operations and are shown as a single line item on the face of the statements of loss and comprehensive loss. The following summarizes operating information relating to the discontinued operations:

		December 31, 2021		December 31, 2020
Bank fees and interest charges	$	-	$	204
Total expenses		-		(204)
Write-off of accounts payable		-		375
Write-off of expense advances		-		(17,260)
Loss on derecognition of subsidiary		-		(208,297)
Net loss from discontinued operations	**$**	**-**	**$**	**(225,386)**

4. Discontinued Operations (continued)

Cash flows generated by Alta-Sun for 2021 and 2020 are as follows:

	December 31, 2021	December 31, 2020
Operating activities	$ -	$ 285
Financing activities	-	(1)
Cash flows from discontinued operations	**$ -**	**$ 284**

5. Asset Purchase Agreement

The Company no longer holds rights associated with a definitive Asset Purchase Agreement between PT and ForwoRx, whereby PT transferred it's patents in the area of the development of therapies for fibrosis and erectile dysfunction to ForwoRx for further development of the technologies by ForwoRx.

Proceeds from the sale were a commitment by ForwoRx to issue 15,000,000 common shares.

Subject to the terms of the Agreement, if the 15,000,000 shares are not issued to the Company within 3 years, then the Company may trigger the issuance of the shares, and if at the end of 5 years the shares have not been issued, then ForwoRx must return the assets to the Company. In the event of a sale by ForwoRx to a third party of the assets purchased under the agreement, the Company will receive 6% of the value of that transaction, subject to certain conditions. The Company has assessed that the fair value of the right to receive the shares from ForwoRx is not determinable and has accordingly recorded a nominal value of $1.

A condition of the sale was that ForwoRx will pay to the Company an annual maintenance fee of $50,000. As of December 31, 2021, $200,000 (December 31, 2020: $200,000) in maintenance fees was due. In the Company's judgment, no portion of this amount will be recognized until collection can be assured. The Company measures the loss allowance for the maintenance fees at an amount equal to the lifetime expected credit losses of the credit risk to be $200,000.

On September 18, 2020, the Asset Purchase Agreement was terminated and the intellectual property was returned to the Company's subsidiary Alta-Sun. ForwoRx did not make maintenance fees to intellectual property offices causing the patents to lapse. The Company assessed that the fair value of the intellectual property is not determinable and accordingly recorded a nominal value. On termination, ForwoRx is no longer required to pay the $50,000 annual maintenance fee after September 18, 2020.

On October 16, 2020, the Company lost control of the asset as a result of loss of control of Alta-Sun (Note 4).

6. Exploration and Evaluation Assets

Topley Property option agreement

On October 19, 2020, the Company entered into an option agreement to earn a 100% interest in the Topley Copper-Gold Project in British Columbia. The agreement was amended on October 12, 2021 to extend the date the Company must make the remaining exploration expenditures from December 31, 2021 to May 30, 2022.

In order to earn an interest in the property, the Company must make the following:

Cash payments:

- $5,000 on signing the agreement (paid)
- $50,000 by December 31, 2023

Share issuances:

- 250,000 on listing of the Company's shares
- 250,000 by December 31, 2021
- 250,000 by December 31, 2022
- 250,000 by December 31, 2023

Exploration expenditures:

- $15,000 by November 7, 2020 (incurred)
- $25,000 by December 31, 2020 (incurred)
- 110,000 by May 30, 2022

The option is subject to a 2% Net Smelter Return royalty, of which 1% can be repurchased by the Company for $1,000,000.

On January 22, 2022, the agreement was amended so that the first 500,000 shares are issuable on listing of the Company's shares.

TAC Claims purchase and sale agreement

On April 14, 2021, the Company entered into an agreement to purchase a 100% interest in a mineral property in British Columbia known as the TAC Claims. The property is strategically located within the Topley Copper-Gold project and adds 37.4 hectares to the Company's land position. On December 19, 2021, the agreement was amended so that the first 5,000 shares would be issued at a rate of $0.10 per share.

6. Exploration and Evaluation Assets (continued)

In order to earn an interest in the property, the Company must make the following:

Cash payment:

- $2,500 on signing the agreement (paid)

Share issuances:

- Shares valued at $5,000 by December 31, 2021 (issued 50,000 common shares)
- Shares valued at $10,000 by December 31, 2022
- Shares valued at $15,000 by December 31, 2023
- Shares valued at $20,000 by December 31, 2024.

The number of shares to be issued is calculated based on the 10-day average closing price of the Company's shares immediately preceding delivery of notice of the share issuance to the vendor.

		Topley Property
Balance December 31, 2019	$	-
Acquisition costs - cash		5,000
Exploration costs		
Sampling		26,426
Balance December 31, 2020		**31,426**
Acquisition costs - cash		2,500
Acquisition costs - shares		5,000
Exploration costs		
Assay		29,194
Sampling		1,856
Balance December 31, 2021	**$**	**69,976**

7. License Costs

Costs and Net Carrying Amount

		Cannabis Act License Costs
Balance December 31, 2019	$	237,899
Derecognized		(237,899)
Balance December 31, 2020 and December 31, 2021	**$**	**-**

7. License Costs (continued)

On June 4, 2018, the Company entered into a binding agreement with Cannabis Compliance Inc. ("CCI"). CCI would provide the Company with consulting services related to an Access to Cannabis for Medical Purposes ("ACMPR") Cannabis Act license application and construction of a cannabis cultivation facility.

The costs incurred to complete the license application were capitalized as an intangible asset. The Company also classified certain consulting charges associated with obtaining the Cannabis Act license.

On October 16, 2020, the balance was derecognized as a result of loss of control of Alta-Sun (Note 4).

8. Loans Payable

Loans assumed from PT

		December 31, 2021		December 31, 2020
Non-interest bearing with no set repayment terms	$	35,623	$	35,623
Past due				
- Previously interest rate of 1% monthly, due September 30, 2022		7,951		66,416
Interest rate of 1% monthly, due November 18, 2023		57,194		-
	$	**100,768**	**$**	**102,039**

On November 18, 2021, the Company signed an agreement whereby the principal of the interest-bearing loan in the amount of $56,000 (2020: $56,000) was extended and becomes due on November 18, 2023. The Company must pay a finance fee of $5,600 which is due at the same time as the principal. The loan accrues interest at 1% per month, payable quarterly. The unpaid interest accrued on the original loan remains due to the lender. The extension was accounted for as a modification of debt and the finance fee is amortized over the term of the loan.

Interest accrued at December 31, 2021 of $8,815 (2020: $10,416) is past due and has been recorded as an increase to the loans payable balance.

8. Loans Payable (continued)

Principal		
Balance, December 31, 2019 and 2020	**$**	**91,623**
Amortization of deferred financing costs		330
Balance, December 31, 2021	**$**	**91,953**
Interest		
Balance, December 31, 2019	$	3,696
Accrued		6,720
Balance, December 31, 2020		**10,416**
Accrued		6,799
Paid		(8,400)
Balance, December 31, 2021	**$**	**8,815**

Promissory note financing

Principal		
Balance, December 31, 2020	$	-
Issued		30,000
Adjustment for finance fee paid in shares		(3,000)
Amortization of deferred financing costs		2,037
Repayment		(20,000)
Balance, December 31, 2021	**$**	**9,037**
Interest		
Balance, December 31, 2020	$	-
Accrued		900
Paid in shares		(900)
Balance, December 31, 2021	**$**	**-**

On November 20, 2021, the Company issued promissory notes in the amount of $30,000 pursuant to a private placement. The notes bear interest at 12% annually and mature on November 20, 2024. The first three months of interest, equal to 3% of the principal, was paid in advance in common shares of the Company with a fair value of $0.10 per share. The holders were paid a finance fee equal to 10% of the principal in common shares with a fair value of $0.10 per share which is amortized over the term of the loan.

8. Loans Payable (continued)

In the case that the Company cannot complete an initial public offering ("IPO") by August 20, 2022, the holders Company will issue additional notes to the holders for 10% of the value of the original notes ("Contingent Consideration). The new notes will have the same terms as the original notes less the contingent consideration and administration fee. The Contingent Consideration has been accounted for under IAS 37 – Provisions, contingent liabilities and contingent assets. The condition that the Company would not complete an IPO by August 20, 2022 is not deemed to be probable, so no provision is recorded for the Contingent Consideration.

9. Convertible Notes

Convertible notes due to related parties

	Due to the CEO and director	Due to the CFO and director	Due to a former director	Total
Principal				
Balance, December 31, 2019	$ 19,293	$ 16,777	$ 18,453	$ 54,523
Accretion	1,483	1,289	1,419	4,191
Balance, December 31, 2020	**20,776**	**18,066**	**19,872**	**58,714**
Accretion	273	216	332	821
Payment	(22,981)	(20,000)	(23,094)	(66,075)
Loss on repayment	1,932	1,718	2,890	6,540
Balance, December 31, 2021	**$ -**	**$ -**	**$ -**	**$ -**
Interest				
Balance, December 31, 2019	$ 575	$ 500	$ 550	$ 1,625
Accrued	1,150	1,000	1,100	3,250
Balance, December 31, 2020	**1,725**	**1,500**	**1,650**	**4,875**
Accrued	211	167	256	634
Payment	(1,936)	(1,667)	(1,906)	(5,509)
Balance, December 31, 2021	**$ -**	**$ -**	**$ -**	**$ -**
Equity component	**$ 4,448**	**$ 3,868**	**$ 4,256**	**$ 12,572**

The convertible notes due from related parties had a face value of $65,000, were payable on July 10, 2022, bore interest at 5% annually, and were convertible into common shares at the option of the holder at a conversion price of $0.25 per share.

9. Convertible Notes (continued)

The notes were separated into their liability and equity components by first valuing the liability component by discounting the cash flows and assigning the residual value to the equity component. The initial fair value of the debt component was recorded at $52,399 using a discount rate of 12%, and $12,572 was assigned to the equity component to account for the conversion feature. The debt component was systematically accreted to its face value over the term of the notes by recording additional interest.

During the year ended December 31, 2021, the Company paid $71,584 to extinguish the notes. The Company recorded a loss of $6,540 on repayment related to the unamortized discount.

Convertible debenture financings

a) Notes convertible at $0.025 per share

Principal		
Balance, December 31, 2019	$	-
Issued		35,000
Balance, December 31, 2020		**35,000**
Converted to shares		(35,000)
Balance, December 31, 2021	$	-
Interest		
Balance, December 31, 2019	$	-
Accrued		161
Balance, December 31, 2020		**161**
Accrued		**889**
Converted to shares		**(1,050)**
Balance, December 31, 2021	$	**-**

On December 17, 2020, the company issued convertible notes in the amount of $35,000 pursuant to a private placement. Of that amount, $10,000 was issued to directors and family members of directors. The notes mature on December 17, 2023, bear interest at 12% annually, and convert into common shares at a conversion price of $0.025 per share automatically on completion of a 1 for 2.5 consolidation of the Company's shares.

At the time of issuance, the fair value of the liability component was determined to be equal to the $35,000 proceeds received. Accordingly, no amount has been allocated to the equity component. This was determined by first valuing the liability component by discounting the cash flows using a discount rate of 12% and assigning the residual value, if any, to the equity component.

9. Convertible Notes (continued)

On February 24, 2021, the Company completed a 1 for 2.5 share consolidation and the principal and accrued interest converted into 1,442,000 common shares (Note 11).

b) Notes convertible at $0.05 per share

Principal		
Balance, December 31, 2020	$	-
Issued		154,883
Converted to shares		(154,883)
Balance, December 31, 2021	**$**	**-**
Interest		
Balance, December 31, 2020	$	-
Accrued		1,601
Converted to shares		(1,601)
Balance, December 31, 2021	**$**	**-**
Equity component		
Balance, December 31, 2020	$	-
Issued		5,117
Converted to shares		(5,117)
Balance, December 31, 2021	**$**	**-**

On February 4, 2021, the company issued convertible notes in the amount of $160,000 pursuant to a private placement. Of that amount, $30,000 were subscriptions received prior to December 31, 2020. The notes matured on February 4, 2024, bore interest at 12% annually, and were convertible into common shares at a conversion price of $0.05 per share automatically on completion of a 1 for 2.5 consolidation of the Company's shares.

On February 24, 2021, the Company completed a 1 for 2.5 share consolidation and the principal and accrued interest converted into 3,232,000 common shares. The equity component was allocated to share capital on conversion (Note 11).

In the case that the Company had not completed an IPO by November 3, 2021, the Company would issue additional notes to the note holders for 10% of the value of the original notes ("Contingent Consideration"). The new notes would have the same terms as the original notes less the Contingent Consideration. The Company did not complete an IPO by November 3, 2021 and as a result, the Company issued 323,000 common shares with a fair value of $0.05 per share as Contingent Consideration, representing 10% of the 3,232,000 common shares issued upon conversion of the notes. Accordingly, the Company recorded share capital in the amount of $16,160.

10. Related Party Transactions

Transactions with related parties are as follows:

	December 31, 2021		December 31, 2020	
Accounting fees to a Company controlled by the CFO and director	$	10,000	$	13,500
Consulting fees to the CFO and director		12,000		12,000
Management fees to the CEO and director		57,500		12,000
	$	79,500	$	37,500

Balance due to the CEO and director

As of December 31, 2021, the Company has $16,902 (December 31, 2020: $6,279) of short-term debt owing to the CEO and director of the Company. The balance has no set terms of repayment and does not bear interest.

Balance due to the CFO and director

As of December 31, 2021, the Company has $41,963 (December 31, 2020: $30,638) of short-term debt owing to a company related to the CFO and director, and $26,000 (December 31, 2020: $14,000) owing to that director. The amounts do not bear interest and has no set terms of repayment.

Balance due from former subsidiary

During the year ended December 31, 2021, the Company loaned $100 to its former subsidiary, Alta-Sun. The amount does not bear interest and has no set terms of repayment. The Company has additional loans due from Alta-Sun that are not recognized because collection is not assured (Note 4).

11. Share Capital

The Company has authorized an unlimited amount of Class A common shares without par value. As at December 31, 2021, the Company has 12,389,252 (2020: 5,111,752) common shares issued and outstanding.

Share consolidation

On February 24, 2021, the company completed a consolidation of its common shares on the basis of one post-consolidated share for every 2.5 pre-consolidated shares. The share consolidation was approved by the board on August 7, 2020. All references to share and per share amounts in these financial statements have been retroactively restated to reflect the share consolidation.

11. Share Capital (continued)

Financings

During the year ended December 31, 2021:

On February 24, 2021, convertible notes in the amount of $36,050 were converted into 1,442,000 common shares at a conversion rate of $0.025 per share on completion of the 1 for 2.5 share consolidation. The convertible debentures were issued pursuant to a private placement on December 17, 2020 (Note 9).

On February 24, 2021, convertible notes in the amount of $161,600 were converted into 3,232,000 common shares at a conversion rate of $0.05 per share on completion of the 1 for 2.5 share consolidation. The convertible debentures were issued pursuant to a private placement on February 4, 2021. The Company paid a cash finder's fee of $10,000 and issued 200,000 broker warrants in relation to the financing (Note 9).

On March 30, 2021, the Company issued 661,300 units for proceeds of $66,130 pursuant to a private placement. Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one common share at a price of $0.125 per share until March 29, 2026. The warrants were assigned a fair value of $20,171 using the residual value method.

On March 30, 2021, the Company settled accounts payable in the amount of $20,500 by issuance of 205,000 common shares. $10,000 of the amount was included in subscriptions received as of December 31, 2020.

On November 3, 2021, the Company issued 323,200 common shares at a conversion rate of $0.05 per share for total $16,160 as contingent consideration on convertible notes (Note 9).

On November 25, 2021, the Company issued 30,000 shares with a fair value of $3,000 as an administration fee on promissory notes. The Company also issued 9,000 shares with a fair value of $900 as advance interest on the notes (Note 8).

On December 16, 2021, the Company issued 1,325,000 flow-through shares for proceeds of $132,500 pursuant to a private placement. The Company recognized a flow-through premium liability in the amount of $Nil in connection with the financing. The Company paid a cash finder's fee of $10,000 in relation to the financing.

On December 20, 2021, the Company issued 50,000 common shares with a fair value of $5,000 on the acquisition of exploration and evaluation assets (Note 6).

11. Share Capital (continued)

During the year ended December 31, 2020:

The Company has amended the terms of 645,743 warrants which resulted in an adjustment of $312,078 to share capital.

Stock options and share based payments

As at December 31, 2021, 2021, no stock options were outstanding and exercisable.

During the year ended December 31, 2021:

42,000 options held by directors and consultants were forfeited.

During the year ended December 31, 2020:

356,000 options held by directors and consultants were forfeited.

The options outstanding and exercisable as at December 31, 2020 had a weighted average remaining contractual life of 3.07 years. Stock option activity was as follows:

	Options outstanding	Exercise Price $
Balance, December 31, 2019	398,000	0.40
Forfeited	(356,000)	(0.40)
Balance, December 31, 2020	42,000	0.536
Forfeited	(42,000)	(0.536)
Balance, December 31, 2021	-	-

The fair value of share-based awards is determined using the Black-Scholes Option Pricing Model. The model utilizes certain subjective assumptions including the expected life of the option and expected future stock price volatility. Changes in these assumptions can materially affect the estimated fair value of the Company's stock options.

Warrants

As at December 31, 2021 the following share purchase warrants were issued and outstanding:

Expiry Date	Exercise Price $	Warrants outstanding #
February 3, 2023	0.05	200,000
April 12, 2023	0.25	645,743
March 29, 2026	0.125	661,300
		1,507,043

11. Share Capital (continued)

During the year ended December 31, 2021:

On February 4, 2021, the Company issued 200,000 broker warrants pursuant to a convertible debenture financing. Each warrant entitles the holder to purchase one common share at $0.05 per share until February 23, 2023. The warrants were assigned a value of $1,778 using the Black-Scholes pricing model.

On March 30, 2021, the Company issued 661,300 warrants pursuant to a private placement of units. Each warrant entitles the holder to purchase one common share at $0.125 per share until March 29, 2026. The warrants were deemed the more easily valuable component were assigned a value of $20,171 using the Black-Scholes pricing model.

During the year ended December 31, 2020:

The Company amended the terms of its 645,743 warrants by extending the expiry date by 3 years from April 12, 2020 to April 12, 2023. The exercise price was revised from $0.875 per share to $0.25 per share. The modification resulted in an additional allocation of $312,078 to contributed surplus.

The warrants outstanding and exercisable as at December 31, 2021 have a weighted average remaining contractual life of 2.56 years (December 31, 2020: 2.28 years). Warrant activity was as follows:

	Warrants outstanding	**Exercise Price $**
Balance, December 31, 2019 and 2020	645,743	0.25
Issued	861,300	0.11
December 31, 2021	1,507,043	0.17

The fair value of warrants was determined using the Black-Scholes Option Pricing Model as the warrants were the more easily valued component. The model utilizes certain subjective assumptions including the expected life of the warrant and expected future stock price volatility. Changes in these assumptions can materially affect the estimated fair value of the Company's warrants.

11. Share Capital (continued)

The assumptions used in the Black-Scholes pricing model were:

	December 31, 2021	December 31, 2020
Expected volatility	**100%**	**100%**
Risk free interest rate	**0.19% - 0.97%**	**0.45%**
Expected life in years	**2 - 5**	**3**
Grant date fair value per share	**$0.025 - $0.05**	**$0.625**
Forfeiture rate	**0%**	**0%**

12. Income Taxes

The reconciliation of income tax attributable to continuing operations computed at the statutory tax rate of 27% to income tax expense is:

	2021	2020
	$	$
Loss for the year	(245,726)	(360,945)
Expected income tax (recovery)	(66,346)	(97,455)
Permanent and other differences	3,214	58,836
Change in benefit not recognized	63,132	38,619
Total income tax expense (recovery)	-	-

Deferred taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases. Deferred tax assets are evaluated periodically and if realization is not considered likely, a valuation allowance is provided.

	2021	2020
	$	$
Deferred tax assets (liabilities)		
Non-capital loss carry-forwards	323,491	259,263
Financing and other	2,814	3,278
Unrecognized deferred tax assets	326,305	262,541

12. Income Taxes (continued)

The Company has non-capital losses of $1,183,114 (2020: $964,291) which, if unused, will expire as follows:

	$
2036	6,739
2037	181,399
2038	321,788
2039	324,162
2040	130,203
2041	233,823
	1,198,114

13. Line of Credit

On March 15, 2019, the Company entered into agreements to access lines of credit of up to $1.2 million with a maturity date of March 31, 2022. Any amount borrowed on the lines of credit is subject to interest at 12% annually. Interest is payable quarterly beginning 365 days from the date the Company receives a standard cultivation license from Health Canada to grow Cannabis. Interest may be paid in cash or shares at the Lender's discretion. Any amount in default will be subject to interest at 18% annually. Advances are available to the Company until March 31, 2022.

An administrative fee of 200,000 common shares valued at $125,000 was paid to the lenders. Of this amount $31,250 was paid to a director of the Company. The shares were issued on April 26, 2019.

On December 15, 2020, the Company sent notice to the lenders that the Company was cancelling the agreements.

As of December 31, 2021 and 2020, the Company had not borrowed any funds under the agreements.

14. Capital Disclosures

The Company considers its capital under management to be comprised of shareholders' deficiency and any debt that it may issue. The Company's objectives when managing capital are to continue as a going concern and to maximize returns for shareholders over the long term. The Company is not subject to any capital restrictions. There has been no change in the Company's objectives in managing its capital since incorporation.

15. Financial Instruments and Risk

As at December 31, 2021, the Company's financial instruments consist of cash, advances, accounts payable and accrued liabilities, loans payable, due to related parties, and convertible notes.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. To minimize the credit risk, the Company places these instruments with a high credit quality financial institution.

As of December 31, 2021, $200,000 in maintenance fees was due from ForworRx. The Company measures the loss allowance for the maintenance at an amount equal to the lifetime expected credit loss of the credit risk to be $200,000.

Liquidity Risk

The Company's financial liabilities consist of $83,425 (December 31, 2020: $31,055) in accounts payable and accrued liabilities, $109,805 (December 31, 2020: $102,039) in loans payable, $84,765 (December 31, 2020: $62,165) in due to related parties, and $Nil (December 31, 2020: $98,750) in convertible notes. The Company manages liquidly risk through management of its capital resources discussed above.

Foreign Exchange Risk

The Company is not exposed to foreign exchange risk on its financial instruments.

Interest Rate Risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk the Company will realize such a loss is limited because the Company's interest bearing note payable has a fixed rate of interest.

Fair Value

The Company provides information about financial instruments that are measured at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

15. Financial Instruments and Risk (continued)

	Level 1	Level 2	Total
	$	$	$
December 31, 2021			
Cash	73,019	-	73,019
	73,019	-	73,019
December 31, 2020			
Cash	24,001	-	24,001
Loans payable	-	(56,000)	(56,000)
Convertible notes	-	(98,750)	(98,750)
	24,001	(154,750)	(130,749)

Cash is measured using level 1 fair value inputs. The fair value of long-term loans payable and convertible notes are determined based on level 2 inputs and estimated based on the present value of future cash flows based on current interest rates for financial instruments with similar conditions and maturity. As at December 31, 2021, the Company believes that the carrying values of its cash, advances, accounts payable and accrued liabilities, due to related parties, and short-term loans payable approximate their fair values because of their nature and relatively short maturity dates or durations.

16. Supplemental Cash Flow Information

	2020	2020
Cash paid for interest	15,003	-
Cash paid for income taxes	-	-

Significant non-cash investing and financing transactions for the period ended December 31, 2021 are as follows:

- Converted convertible notes in the amount of $197,650 into shares (Note 9)
- Issued 205,000 common shares to settle debt of $50,500 (Note 11)
- Issued broker warrants valued at $1,778 as share issuance costs (Note 11)
- Issued 50,000 shares with a fair value of $5,000 as payment towards the TAC claims purchase and sale agreement (Note 6)
- Paid finance fees on promissory notes of 30,000 shares with a fair value of $3,000 on (Note 8)
- Paid interest in advance on promissory notes by issuing 9,000 shares with a fair value of $900 (Note 8)

16. Supplemental Cash Flow Information (continued)

Significant non-cash investing and financing transactions for the period ended December 31, 2020 are as follows:

- Modified terms of 1,614,358 warrants which resulted in reclassification of $312,078 from share capital to contributed surplus (Note 11).

17. Commitment

On December 16, 2021, the Company issued 1,325,000 flow-through shares and is required to make qualifying expenditures of $132,500 by December 16, 2023. During the year ended December 31, 2021, the Company made $12,617 of qualifying expenditures and $119,883 remains on the commitment (Note 11).

18. Subsequent Event

On April 27, 2022 the Company filed a final prospectus with the British Columbia, Alberta and Ontario Securities Commissions (the "**Prospectus**"). The Prospectus covers the offering of a minimum of 6,500,000 common shares of the Company to a maximum of 10,000,000 common shares of the Company at a price of $0.10 (the '**Offering**') for gross proceeds of a minimum $650,000 and maximum $1,000,000. Research Capital is acting as the agent (the "**Agent**") for the Offering. The Agent will receive a commission of 8% of the capital raised under the offering and warrants equal to 8% of the common shares issued under the offering as well as corporate finance fees. The capital will be used for exploration of the Topley Property option agreement and for general working capital.