
RIFT VALLEY RESOURCES CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021 and 2020

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a) released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the condensed interim financial statements for the three months ended March 31, 2021.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by, and are the responsibility of, the Company's management.

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

	Note	March 31, 2021	December 31, 2020
		\$	\$
ASSETS			
Current Assets			
Cash		72,541	134,348
Amounts receivable		27,553	18,816
		100,094	153,164
Investment in private company	13	237,148	237,148
Convertible notes receivable	5	802,181	525,746
Deposits	4	21,300	21,250
		1,160,723	937,308
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	6	103,117	99,666
Decommissioning liabilities	4	21,300	21,250
		124,417	120,916
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	7	5,987,036	5,561,946
Subscriptions received in advance		152,695	114,205
Contributed surplus		754,500	708,427
Deficit		(5,857,925)	(5,568,186)
		1,036,306	816,392
		1,160,723	937,308
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Approved on behalf of the Board:

"Griffin Jones"
Griffin Jones, CEO, Director

"Ward Muncie"
Ward Muncie, CFO, Director

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

RIFT VALLEY RESOURCES CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED MARCH 31, 2021 AND 2020
(Expressed in Canadian Dollars)

	Note	Three Months Ended	
		March 31, 2021	March 31, 2020
		\$	\$
Expenses			
Consulting fees	5	184,799	156,659
Stock-based compensation		35,073	—
Travel and promotion		12,281	7,886
Rent and occupancy		8,514	12,140
Office and miscellaneous		3,009	7,586
Exchange fees		2,250	2,150
Professional fees		1,423	—
Transfer agent		830	1,135
		248,179	187,556
Fair value adjustment on convertible note receivable		(59,946)	—
Interest income		18,386	—
Net loss and comprehensive loss for the year		(289,739)	(187,556)
Loss per share, Basic and Diluted		(0.00)*	(0.01)
Weighted average common shares outstanding, Basic and Diluted		79,686,656	33,568,753

- Denotes loss per share of less than \$0.01

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

RIFT VALLEY RESOURCES CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
FOR THE YEARS ENDED MARCH 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)	3,500,000	157,500	–	17,500	–	175,000
Share issue costs - cash	7(b)	–	(9,600)	–	–	–	(9,600)
Subscriptions received in advance		–	–	204,500	–	–	204,500
Net loss		–	–	–	–	(187,556)	(187,556)
Balance, March 31, 2020		36,213,198	3,580,671	677,655	322,427	(4,410,532)	170,221
Shares issued for cash	7(b)	39,685,500	1,984,275	–	–	–	1,984,275
Share issue costs – finders' warrants	7(b)	–	(3,000)	–	3,000	–	–
Subscriptions received in advance		–	–	(563,450)	–	–	(563,450)
Stock based compensation		–	–	–	383,000	–	383,000
Net loss		–	–	–	–	(1,157,654)	(1,157,654)
Balance, December 31, 2020		75,898,698	5,561,946	114,205	708,427	(5,568,186)	816,392
Shares issued for cash	7(b)	7,526,833	451,610	–	–	–	451,610
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		–	–	38,490	–	–	38,490
Stock based compensation		–	–	–	35,073	–	35,073
Net loss		–	–	–	–	(289,739)	(289,739)
Balance, March 31, 2021		83,425,531	5,987,036	152,695	754,500	(5,857,925)	1,036,306

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

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

	Note	March 31, 2021	March 31, 2020
		\$	\$
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Net loss and comprehensive loss for the year		(289,739)	(187,556)
Adjustments to Reconcile Net Loss to Net Cash used in Operations:			
Accrued interest		(18,385)	–
Fair value loss on convertible notes receivable		59,946	–
Stock-based compensation		35,073	–
Changes in non-cash working capital balances:			
Amounts receivable		(8,737)	(8,667)
Accounts payable and accrued liabilities		3,451	(91,683)
Cash used in operating activities		(218,391)	(287,906)
INVESTING ACTIVITIES			
Investment in private company	13	–	(50,553)
Purchase of convertible notes	5	(317,996)	–
Cash used in investing activities		(317,996)	(50,553)
FINANCING ACTIVITIES			
Share capital received		436,090	165,400
Subscriptions received in advance		38,490	204,500
Cash provided by financing activities		474,580	369,900
(Decrease) Increase in cash during the year		(61,807)	31,441
Cash, beginning of the year		134,348	403
Cash, end of the year		72,541	31,844
SUPPLEMENTAL DISCLOSURES:			
Cash paid for interest		–	–
Cash paid for income taxes		–	–

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

RIFT VALLEY RESOURCES CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2021 AND 2020
(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

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

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

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

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

The Company has never generated revenue or positive cash flows from operations. For the three months ended March 31, 2021, the Company reported a net loss of \$289,739 (2020 – \$187,556), negative cash flow from operating activities of \$218,391 (2020 – \$287,906) and an accumulated deficit of \$5,857,925 (2020 – \$4,410,532). This raises significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue its operations as intended are dependent on its ability to obtain necessary financing and raise capital sufficient to cover its telecom project development costs.

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

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

2. BASIS OF PRESENTATION

a) Statement of compliance

These condensed interim consolidated financial statements are prepared in compliance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). Accordingly, certain information and footnote disclosure normally included in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), have been omitted or condensed. These condensed interim consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2020.

These condensed interim consolidated financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on May 31, 2021.

RIFT VALLEY RESOURCES CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2021 AND 2020
(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (continued)

b) Basis of consolidation

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

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

c) Measurement basis

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The policies applied in these unaudited condensed interim financial statements are based on IFRS issued and outstanding as of May 31, 2021, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended December 31, 2020. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2020 could result in restatement of these unaudited condensed interim consolidated financial statements.

4. DEPOSIT AND RECLAMATION BOND

	March 31, 2021	December 31, 2020
	\$	\$
Mineral property security deposits	21,300	21,250
	21,300	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 RECEIVABLES AND DERIVATIVE INSTRUMENTS

During the three months ended March 31, 2021, the Company purchased a series of convertible notes from Rural Broadband Inc. at a total cost of \$317,996 (December 31, 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 Rural Broadband Inc. at \$0.064 per share. The notes are denominated in USD. The fair value of the convertible notes receivable was determined to be \$802,181 as at March 31, 2021 (December 31, 2020 – \$525,746). During the three months ended March 31, 2021, the Company recorded a fair value loss of \$59,946 (December 31, 2020 – \$75,408) associated with the fair value change on the convertible notes. During the three months ended March 31, 2021, the Company recorded accrued interest of \$18,386 (December 31, 2020 – \$17,367) included in convertible notes receivable.

RIFT VALLEY RESOURCES CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2021 AND 2020
(Expressed in Canadian Dollars)

6. RELATED PARTY TRANSACTIONS AND BALANCES

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

- (a) The Company has identified its directors and senior officers as its key management personnel. No post-employment benefits, other long-term benefits and termination benefits were made during the years ended December 31, 2020 and 2019.
- (b) The Company incurred consulting fees to officers and directors in the amount of \$44,602 (2020 – \$27,411).
- (c) The Company incurred stock-based compensation to officers and directors in the amount of \$17,536 (2020 – \$nil).

As at December 31, 2020, included in accounts payable is \$8,450 (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.

During three months ended March 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.

RIFT VALLEY RESOURCES CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2021 AND 2020
(Expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

(c) Warrants

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

Warrants outstanding and exercisable	Number of Warrants	Weighted average exercise price
December 31, 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	4,022,098	\$0.15
December 31, 2020	30,936,948	\$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 March 31, 2021, there were 30,936,948 warrants outstanding with a weighted average remaining contractual life of 1.28 years.

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

During three months ended March 31, 2021, the Company issued 258,680 finders' warrants on (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	2.00%	2.00%	2.00%
Volatility	136%	136%	136%
Dividend yield	0.00%	0.00%	0.00%

As at December 31, the following warrants were outstanding:

Expiry Date	Number of Warrants	Exercise Price	Weighted average remaining contractual life (years)
June 13, 2021	3,092,700	\$0.15	0.20
September 27, 2021	1,200,000	\$0.15	0.49
November 29, 2021	837,400	\$0.15	0.66
March 9, 2022	1,542,000	\$0.15	0.94
March 11, 2022	400,000	\$0.15	0.94
July 23, 2022	10,475,000	\$0.15	1.31
September 25, 2022	4,245,750	\$0.15	1.48
November 16, 2022	2,922,000	\$0.15	1.63
December 18, 2022	2,200,000	\$0.15	1.71
February 1, 2023	2,355,764	\$0.15	1.84
March 10, 2023	1,666,334	\$0.15	1.96
	26,914,850	\$0.15	1.28

RIFT VALLEY RESOURCES CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2021 AND 2020
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7. SHARE CAPITAL (continued)

(d) Stock Options

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

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

Options outstanding and exercisable	Number of options	Exercise Price	Expiry Date
Balance at December 31, 2019	2,425,000	\$0.10	
Granted on August 27, 2020	3,850,000	\$0.06	August 27, 2025
Granted on December 15, 2020	2,200,000	\$0.08	December 15, 2025
Expired	(700,000)	\$0.09	
Balance at December 31, 2020	7,775,000	\$0.075	
Granted on February 17, 2021	500,000	\$0.07	February 17, 2021
Balance at March 31, 2021	8,025,000	\$0.073	

As at March 31, 2021, the options have a weighted average remaining contractual life of 3.94 years and a weighted average exercise price of \$0.073.

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.

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%

RIFT VALLEY RESOURCES CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8. INCOME TAXES

Future tax benefits which may arise as a result of these non-capital losses and other income tax pools have not been recognized in these financial statements and have been offset by a valuation allowance.

No deferred income tax asset has been recognized because the amount of future taxable profit that will be available to realize such assets is unpredictable. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred income tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

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 March 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 and accounts payable. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature. The fair value of these financial instruments approximates their carrying value because of the current nature.

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

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- Level 3 – Inputs that are not based on observable market data.

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

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

	Level 1	Level 2	Level 3
	\$	\$	\$
As at March 31, 2021:			
Cash	72,541	–	–
Investment in private company	–	–	237,178
Convertible notes receivable	–	–	802,101

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.

RIFT VALLEY RESOURCES CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2021 AND 2020
(Expressed in Canadian Dollars)

10. FINANCIAL INSTRUMENTS (continued)

(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 three months ended March 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 year would have increased or decreased by approximately \$80,000 (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, 2020, if interest rates were higher by 1% per annum, the potential effect to the Company would be a decrease in net income of approximately \$8,000 (2020 - \$5,000).

(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. COMMITMENT

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13. INVESTMENT IN PRIVATE COMPANY

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

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

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

As at March 31, 2021, as there was no active market for the investments, the investment continues to be carried at the initial cost \$237,148.

14. SUBSEQUENT EVENTS

On May 3, 2021, the Company issued 7,316,667 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.