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**Consolidated Financial Statements**  
**Years Ended December 31, 2021 and 2020**  
**(Expressed in Canadian Dollars)**

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF VALTERRA RESOURCE CORPORATION

*Opinion*

We have audited the consolidated financial statements of Valterra Resource Corporation and its subsidiaries (the "Company"), which comprise:

- ◆ the consolidated statements of financial position as at December 31, 2021 and 2020;
- ◆ the consolidated statements comprehensive loss for the years then ended;
- ◆ the consolidated statements of changes in equity (deficit) for the years then ended;
- ◆ the consolidated statements of cash flows for the years then ended; and
- ◆ the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our 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 flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

*Basis for Opinion*

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

*Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$1,133,763 during the year ended December 31, 2021 and, as of that date, the Company's current liabilities exceeded its current assets by \$1,067,548. 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. Our opinion is not modified in respect of this matter.

*Other Information*

Management is responsible for the other information. The other information comprises of the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in our audits or otherwise appears to be materially misstated.

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

*Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

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

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

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

*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ◆ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Kevin Yokichi Nishi.

*Smythe LLP*

Chartered Professional Accountants

Vancouver, British Columbia

April 27, 2022

## Valterra Resource Corporation

(An Exploration Stage Company)

Consolidated Statements of Comprehensive Loss

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

	Note	2021	2020
<b>Operating Expenses</b>			
Administration	10	\$ 60,000	\$ 20,000
Consulting	10	266,921	125,628
Exploration and evaluation	7 & 10	17,628	57,777
Investor relations	10	53,443	141,551
Office and general	10	21,279	25,975
Professional fees	10	132,367	147,318
Regulatory fees and taxes		37,026	42,435
Share-based payments	11	2,892	322,785
Shareholders' communications		8,729	9,894
Transfer agent		9,850	7,025
		<b>610,135</b>	<b>900,388</b>
<b>Foreign exchange (gain) loss</b>		(6,083)	(864)
<b>Gain on settlement of debt</b>	9 & 11	(42,462)	-
<b>Impairment of mineral properties</b>	7	292,158	313,184
<b>Net loss on investment</b>	9	280,315	-
<b>Unrealized (gain) loss on marketable securities</b>	6	(300)	-
		<b>523,628</b>	<b>312,320</b>
<b>Net Loss and Comprehensive Loss for the Year</b>		<b>\$ 1,133,763</b>	<b>\$ 1,212,708</b>
Loss per share - basic and diluted		\$ 0.02	\$ 0.05
Weighted average number of common shares outstanding		67,806,706	25,550,209

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

**Valterra Resource Corporation**  
(An Exploration Stage Company)  
Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars)

As at	Note	December 31 2021	December 31 2020
<b>Assets</b>			
<b>Current</b>			
Cash		\$ 284,586	\$ 368,106
Receivables		3,303	7,306
Marketable securities	6	3,450	-
Prepays		10,061	9,809
		<b>301,400</b>	<b>385,221</b>
<b>Non-current</b>			
Mineral properties	7	-	-
Reclamation bonds	8	12,000	29,667
Loan	9	-	2,028,500
Other investment	9	2,400,000	-
		<b>2,412,000</b>	<b>2,058,167</b>
		<b>\$ 2,713,400</b>	<b>\$ 2,443,388</b>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	7 & 9	\$ 715,440	\$ 651,893
Due to related parties	10 & 15	653,508	465,886
		<b>1,368,948</b>	<b>1,117,779</b>
<b>Equity</b>			
Share capital	11	18,109,271	17,247,842
Share-based payments reserve		865,762	609,461
Warrant reserve		20,675	257,308
Deficit		(17,651,256)	(16,789,002)
		<b>1,344,452</b>	<b>1,325,609</b>
		<b>\$ 2,713,400</b>	<b>\$ 2,443,388</b>

Approved on behalf of the Board

*"Lawrence Page"*

*"Brian McGrath"*

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

## Valterra Resource Corporation

(An Exploration Stage Company)

Consolidated Statements of Changes in Equity (Deficit)

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

	Share Capital		Share-based Payments Reserve	Warrant Reserve	Deficit	Total Equity (Deficit)
	Number of Shares	Amount				
<b>Balance as at December 31, 2019</b>	<b>9,375,155</b>	<b>\$ 14,170,805</b>	<b>\$ 245,695</b>	<b>\$ 257,308</b>	<b>\$ (15,590,708)</b>	<b>\$ (916,900)</b>
Issued						
Private Placement	50,056,997	3,050,025	-	-	-	3,050,025
Mineral property	2,202,992	154,909	-	-	-	154,909
Share issue costs	-	(127,897)	55,395	-	-	(72,502)
Share-based payments	-	-	322,785	-	-	322,785
Fair value of options expired	-	-	(14,414)	-	14,414	-
Net loss	-	-	-	-	(1,212,708)	(1,212,708)
<b>Balance as at December 31, 2020</b>	<b>61,635,144</b>	<b>\$ 17,247,842</b>	<b>\$ 609,461</b>	<b>\$ 257,308</b>	<b>\$ (16,789,002)</b>	<b>\$ 1,325,609</b>
Issued						
Private Placement	8,270,000	392,825	-	20,675	-	413,500
Asset acquisition	8,000,000	320,000	256,815	-	-	576,815
Debt settlement	4,500,000	180,000	-	-	-	180,000
Share issue costs	-	(31,396)	10,795	-	-	(20,601)
Share-based payments	-	-	2,892	-	-	2,892
Fair value of warrants expired	-	-	(14,201)	(257,308)	271,509	-
Net loss	-	-	-	-	(1,133,763)	(1,133,763)
<b>Balance as at December 31, 2021</b>	<b>82,405,144</b>	<b>\$ 18,109,271</b>	<b>\$ 865,762</b>	<b>\$ 20,675</b>	<b>\$ (17,651,256)</b>	<b>\$ 1,344,452</b>

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

**Valterra Resource Corporation**  
(An Exploration Stage Company)  
Consolidated Statements of Cash Flows  
Years Ended December 31, 2021 and 2020  
(Expressed in Canadian Dollars)

	2021	2020
<b>Operating Activities</b>		
Net loss	\$ (1,133,763)	\$ (1,212,708)
<b>Items Not Involving Cash:</b>		
Fair value of marketable securities received	(3,150)	-
Gain on settlement of debt	(42,462)	-
Impairment of mineral properties	292,158	313,184
Net loss on investment	280,315	-
Share-based payments	2,892	322,785
Unrealized foreign exchange	(973)	(5,010)
Unrealized gain on fair value of marketable securities	(300)	-
	(605,283)	(581,749)
<b>Changes in Non-Cash Working Capital</b>		
Receivables	4,003	(6,061)
Prepays	(252)	48,869
Accounts payable and accrued liabilities	287,008	60,582
Due to related parties	187,622	118,563
	478,381	221,953
<b>Cash Used in Operating Activities</b>	<b>(126,902)</b>	<b>(359,796)</b>
<b>Investing Activities</b>		
Acquisition of mineral property	(292,158)	(158,275)
Reclamation bond	17,641	-
Loan	(75,000)	(2,028,500)
<b>Cash Used in Investing Activities</b>	<b>(349,517)</b>	<b>(2,186,775)</b>
<b>Financing Activities</b>		
Shares issued for cash, net	392,899	2,977,523
Related party loan received	-	30,000
Related party loan repaid	-	(102,500)
<b>Cash Provided by Financing Activities</b>	<b>392,899</b>	<b>2,905,023</b>
<b>(Decrease) Increase in Cash During the Year</b>	<b>(83,520)</b>	<b>358,452</b>
<b>Cash, Beginning of the Year</b>	<b>368,106</b>	<b>9,654</b>
<b>Cash, End of the Year</b>	<b>\$ 284,586</b>	<b>\$ 368,106</b>

Supplemental cash flow information (Note 12)

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

# Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

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## 1. Nature of Operations and Going Concern

Valterra Resource Corporation (the "Company") was incorporated in Alberta on September 26, 1996, continued to the Yukon on May 8, 1997 and subsequently to British Columbia on February 22, 2008. The Company's principal business activities include the acquisition, exploration, and development of natural resource properties for enhancement of value and disposition pursuant to sales agreements or development by way of third-party option and/or joint venture agreements. The Company's registered office is 1710 - 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2L3.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that any of the Company's current or future exploration programs will result in profitable mining operations. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete their exploration and development, and establish future profitable operations, or realize proceeds from their sale. The carrying value of the Company's mineral properties does not reflect present or future value.

These consolidated financial statements were prepared on a 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 had a working capital deficit of \$1,067,548 (2020 - \$732,558). The Company incurred a net loss of \$1,133,763 for the year ended December 31, 2021 (2020 - \$1,212,708) and had an accumulated deficit of \$17,651,256 as at December 31, 2021 (2020 - \$16,789,002).

As at December 31, 2021, the Company does not have sufficient capital to meet the requirements for its administrative overhead or maintaining its mineral interests. The Company has relied mainly upon the issuance of share capital and short-term debt to finance its activities. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. In order to finance future activities, the Company will be required to issue further share capital through private placements and the exercise of options and warrants or obtain additional debt. There can be no assurance that such financing will be available to the Company and, therefore, a material uncertainty exists which casts significant doubt over the Company's ability to continue as a going concern.

The COVID-19 global health pandemic that began in 2019 and continues today resulted in significant volatility and turmoil in world markets. The negative economic impact of measures to contain the virus have been mitigated to an extent by fiscal and monetary stimulus, by measures taken to reopen world economies and the development and rollout of vaccines. During February 2022, Russia launched a large military invasion of Ukraine leading to a disruption in the supply of energy resources, the imposition of sanctions on Russia, increased tension between the West and Russia and financial market uncertainty. These situations had an impact on many entities and the markets for the securities that they issue and the impacts may continue.

These consolidated financial statements do not include the adjustments to assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

# Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

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## 2. Basis of Preparation

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) using historical cost, except for cash flow information and financial instruments measured at fair value. All intercompany transactions and balances have been eliminated upon consolidation. The Company’s functional and presentation currency is the Canadian dollar.

The financial statements of the Company consolidate entities controlled by the Company as follows:

Entity	Country of Incorporation	Principal Activity
Valterra Resource (US) Corporation	USA	Mineral exploration - 100% owned by the Company
Minera Reyterra S.A de C.V.	Mexico	Mineral exploration - 100% owned by the Company

These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 27, 2022.

## 3. Summary of Significant Accounting Policies

### (a) Significant Accounting Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and judgments that affect amounts reported in the consolidated financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and subject to measurement uncertainty. The effect on the consolidated financial statements of changes in such estimates in future reporting periods could be significant. Significant estimates and areas where judgment is applied that have significant effect on the amount recognized in the consolidated financial statements include:

#### *Going concern*

The assessment of the Company’s ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

#### *Impairment of long-lived assets*

The carrying value of mineral property acquisition costs is reviewed each reporting period to determine whether there is any indication of impairment. The determination of the impairment involves the application of a number of significant judgments and estimates to certain variables including metal price trends, plans for properties, and the results of exploration and evaluation to date.

## Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 3. Summary of Significant Accounting Policies, continued

#### (a) Significant Accounting Estimates and Judgments, continued

##### *Investments in privately held companies*

The fair value of any shares which are not listed or traded upon a stock exchange are originally recorded at cost. After the initial transaction, adjustments are made to reflect any changes in value as a result of an independent third-party transaction. Downward adjustments to the carrying values are also made when there is evidence of a decline in value, as indicated by an assessment of the financial condition of the investment based on operational results, forecasts and other developments.

##### *Deferred taxes*

The Company recognizes a deferred tax asset to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. In addition, changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

#### (b) Mineral Properties

All expenditures related to the acquisition of mineral properties are capitalized on a property-by-property basis, net of recoveries which are recorded when receivable, until these mineral properties are placed into commercial production, sold or abandoned. If commercial production is achieved from a mineral property, the related mineral properties are tested for impairment and reclassified to mineral property in production. If a mineral property is sold or abandoned, the related capitalized costs will be expensed to profit or loss in that period.

All expenditures related to the exploration and evaluation of mineral properties, net of recoveries which are recorded when receivable, are expensed to net loss in the period in which they are incurred.

From time to time, the Company may acquire or dispose of all or part of its mineral property interests under the terms of property option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, option payments are recognized when paid or received. If recoveries are received and exceed the capitalized expenditures, the excess is reflected in profit or loss.

All capitalized mineral property costs are reviewed at each reporting date, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the carrying value, provision is made for the impairment in value. The amounts capitalized for mineral properties represent costs incurred to date less write-downs and recoveries, and are not intended to reflect present or future values.

## **Valterra Resource Corporation**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### **3. Summary of Significant Accounting Policies, continued**

#### **(b) Mineral Properties, continued**

The Company recognizes an estimate of the liability associated with statutory, contractual, constructive or legal obligations associated with site closure and property retirement costs in the period in which the liability is incurred if a reasonable estimate of fair value can be made. The estimated fair value or present value of future cash flows is capitalized to the related mining acquisition assets with a corresponding increase in the rehabilitation provision in the period incurred. The capitalized amount will be depreciated on a unit-of-production basis over the estimated life of the ore reserve.

The amount of the provision will be increased each reporting period due to the passage of time and the amount of accretion is charged to profit or loss. The provision can also increase or decrease due to changes in regulatory requirements, discount rates, and assumptions regarding the amount and timing of future rehabilitation expenditures. Any changes are recorded directly to the related mining assets with a corresponding change to the rehabilitation provision. Actual rehabilitation expenditures incurred are charged against the rehabilitation provision to the extent of the liability recorded.

#### **(c) Non-Current Assets Held for Sale**

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale or disposition rather than through continuing use. Such non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs of disposal. The criteria for held for sale classification is regarded as met only when the sale or disposition is highly probable and the asset is available for immediate sale in its present condition.

Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. The Company must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification. When the assets or disposal group are sold, the gains or losses on the sale are recognized in the Consolidated Statements of Comprehensive Loss.

#### **(d) Reclamation Bonds**

Reclamation bonds are recorded at amortized cost and held by government agencies or in trust.

#### **(e) Related Party Transactions**

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

## **Valterra Resource Corporation**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### **3. Summary of Significant Accounting Policies, continued**

#### **(f) Share Capital**

Proceeds from the issue of units, consisting of common shares and share purchase warrants, are first allocated to common shares based on the quoted market value of the common shares at the time the units are priced, and the balance, if any, is allocated to the attached warrants. Share issue costs are netted against share proceeds prorated to common shares and share purchase warrants.

#### **(g) Non-monetary Consideration**

Shares and warrants issued for non-monetary consideration to non-employees are recorded at the fair value of the goods or services received. When such fair value cannot be estimated reliably, fair value is measured based on the quoted market value of the Company's shares on the date of share issuance or using an appropriate valuation method. Shares or warrants to be issued, which are contingent upon future events or actions, are recorded by the Company when it is reasonably determinable that such instruments will be issued.

#### **(h) Share-based Payments**

Share-based payments for employees are measured at fair value of the instruments issued on the date of grant and amortized over the vesting period. Share-based payments for non-employees are measured at either the fair value of the goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded on the date the goods or services are received.

The fair value of stock options is charged to profit or loss using the graded vesting method, with the offset credit to share-based payment reserve. Consideration received on the exercise of stock options is recorded as share capital and the related fair value previously recorded is transferred from share-based payment reserve to share capital. Upon expiry, related fair value previously recorded is transferred from share-based payment reserve to deficit.

#### **(i) Foreign Currency Translation**

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

- (i) Monetary assets and liabilities, at the rate of exchange in effect as at the reporting date;
- (ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
- (iii) Revenues and expenses at the exchange rates in effect on the date of the transaction.

Gains and losses arising from this translation of foreign currency are included in the determination of net loss.

## **Valterra Resource Corporation**

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### **3. Summary of Significant Accounting Policies, continued**

#### **(j) Income Taxes**

The Company follows the asset and liability method of accounting for income taxes whereby 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 enacted or 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. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the enactment date.

Deferred tax assets also result from unused tax losses carried forward, resource related tax 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. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### **(k) Loss per Share**

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period.

Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options, warrants and similar instruments that would be anti-dilutive.

#### **(l) Financial Instruments**

IFRS provide three different measurement categories for non-derivative financial assets – subsequently measured at amortized cost, fair value through profit or loss or fair value through other comprehensive income – while all non-derivative financial liabilities are classified as subsequently measured at amortized cost. The category into which a financial asset is placed and the resultant accounting treatment is largely dependent on the nature of the business of the entity holding the financial asset. All financial instruments are initially recognized at fair value.

##### *Financial assets*

The Company initially recognizes financial assets on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

## Valterra Resource Corporation

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 3. Summary of Significant Accounting Policies, continued

#### (l) Financial Instruments, continued

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company classifies all of its financial assets as subsequently measured at amortized cost. All financial assets that do not meet the criteria to be recognized as subsequently measured at amortized cost or subsequently measured at fair value through other comprehensive income are classified as fair value through profit or loss.

##### *Financial liabilities*

The Company measures all of its financial liabilities as subsequently measured at amortized cost. Financial liabilities are recognized initially at fair value, net of transaction costs incurred and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method.

##### *Fair value*

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

##### *Impairment of financial assets*

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

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## 4. Financial Instruments

The Company's financial instruments include cash and reclamation bonds which are classified as financial assets measured at amortized cost, marketable securities and other investment which are classified as financial assets measured at fair value through profit or loss and accounts payable and accrued liabilities and due to related parties, which are classified as financial liabilities measured at amortized cost. Reclamation bonds are non-interest-bearing, have no maturity date and carrying values approximate fair value. The carrying values of accounts payable and accrued liabilities and due to related parties approximate their fair values due to the short period to maturity.

The Company's financial instruments are exposed to certain financial risks, including liquidity risk, currency risk, credit risk, interest rate risk and other price risk. The Company's exposure to these risks and its methods of managing the risks are summarized as follows:

### (i) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due by forecasting cash flows for operations, anticipated investing and financing activities and through management of its capital structure.

As at December 31, 2021, all of the Company's financial liabilities are either past due or have contractual maturities of less than 90 days. The Company does not have sufficient resources to meet requirements for administrative overhead, maintaining its mineral interests and continuing with its exploration program in the following twelve months. The Company will be required to raise additional capital in the future to fund its operations.

### (ii) Currency Risk

The Company is exposed to currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar (primarily US dollars and Mexican Pesos). The Company does not manage currency risks through hedging or other currency management tools. As at December 31, 2021, cash of \$1,240 (2020 - \$483) was held in US dollars. As at December 31, 2021, accounts payable and accrued liabilities of \$131,446 (2020 - \$132,769) and due to related parties of \$36,386 (2020 - \$28,059) were payable in US dollars and accounts payable and accrued liabilities of \$61,530 (2020 - \$44,106) were payable in Mexican Pesos. Based on forecast exchange rate movements for the next twelve months assuming all other variables remain constant, the Company considers its financial performance and cash flows would not be materially affected by a weakening or strengthening of the US dollar or Mexican Peso.

### (iii) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk in respect to managing its cash. The majority of cash is held with a Canadian financial institution. The Company mitigates credit risk by risk management policies that require significant cash deposits be invested with Canadian chartered banks rated BBB or better, or commercial paper issuers R1/A2/P2 or higher. All investments must be less than one year in duration.

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### **4. Financial Instruments, continued**

#### **(iv) Interest Rate Risk**

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to material interest rate risk.

#### **(v) Other Price Risk**

Other price risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk.

The Company is exposed to material other price risk with respect to its investment that presently is not listed or traded upon a stock exchange. The maximum exposure to other price risk is the carrying value of the investment.

### **5. Capital Management**

The Company's capital includes components of deficit. The Company's objectives in managing its capital are to maintain the ability to continue as a going concern and to continue to explore the Company's mineral properties for the benefit of its stakeholders. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place setting out the expenditures required to meet its strategic goals. The Company compares actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities. As the Company is in the exploration stage, its operations have been substantially funded by the issuance of equity instruments and short-term debt. The Company will continue to rely on equity issuances and short-term debt for future funding depending upon market and economic conditions at the time. There have been no changes in the Company's approach to capital management during the year ended December 31, 2021.

### **6. Marketable Securities**

Pursuant to a finder's fee agreement with respect to the termination of the Weepah property, the Company received 5,000 common shares of Eminent Gold Corp. (EMNT.V) ("Eminent") with a fair value of \$3,150 and US\$5,000 in cash. As at December 31, 2021, the fair market value of the common shares was \$3,450 (2020 - \$nil) measured in accordance with Level 1 of the fair value hierarchy.

### **7. Mineral Properties**

Management considered the ability of the Company to raise sufficient financing to be an indicator of impairment and therefore recorded an impairment provision against all of its properties, in accordance with Level 3 of the fair value hierarchy.

Mineral property acquisition costs as at December 31, 2021 were:

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### 7. Mineral Properties, continued

	Swift Katie	Los Reyes	Total
	\$	\$	\$
Balance as at December 31, 2019	-	-	-
Additions, net of recoveries	153,107	160,077	313,184
Impairments	(153,107)	(160,077)	(313,184)
Balance as at December 31, 2020	-	-	-
Additions, net of recoveries	-	292,158	292,158
Impairments	-	(292,158)	(292,158)
<b>Balance as at December 31, 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### *Swift Katie*

The property is located near Salmo, British Columbia and is subject to a 3% net smelter royalty ("NSR") of which the Company has the option to purchase one-half (1.5%) for \$1,000,000 per 1% and the option to purchase a further one-sixth (0.5%) for an additional \$1,500,000 at any time prior to the commencement of commercial production.

Beginning December 31, 2010 and annually thereafter, the Company is required to make an annual advance minimum royalty ("AMR") payment of \$50,000. These payments will be adjusted annually according to the Consumer Price Index base of December 31, 2006 and are deductible from future NSR payments (December 31, 2021 - unpaid).

In addition to the NSR and the AMR, if the Company completes a positive feasibility study, the Company will issue 2,500 common shares to the optionors and if the Company achieves commercial production, the Company will issue 5,000 common shares to the optionors.

#### *Los Reyes*

Pursuant to an agreement dated June 11, 2018, as amended, the Company has the right to acquire a 100% interest in two claims in Chihuahua, Mexico. To acquire the interest the Company is required to make the following remaining payments:

- US\$200,000 plus applicable local taxes of 16% on August 11, 2021 (paid);
- US\$300,000 plus applicable local taxes of 16% on August 11, 2022; and
- US\$3,250,000 plus applicable local taxes of 16% on August 11, 2023.

The property is subject to a 2% royalty payable to a third party. The balance of a finder's fee is also payable upon payment of the above as to 120,000 common share purchase warrants contingently exercisable to purchase one common share at an exercise price of \$0.50 per share (issued on August 16, 2018 - Note 11).

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### 7. Mineral Properties, continued

#### *Weepah*

On June 23, 2020, the Company terminated the option agreement. A contractual obligation remains outstanding of US\$98,750 and is included in accounts payable and accrued liabilities.

#### *Exploration and Evaluation Expenditures*

Exploration and evaluation expenditures for the years ended December 31, 2021 and 2020 were:

	Swift Katie		Los Reyes		Weepah		Total	
	\$	\$	\$	\$	\$	\$	\$	\$
	2021	2020	2021	2020	2021	2020	2021	2020
Assays and analysis	-	-	-	-	-	-	-	-
Equipment rental and field supplies	-	-	6,234	13,601	-	-	6,234	13,601
Geological services	-	-	-	460	-	-	-	460
Project supervision	1,393	120	4,804	12,617	-	2,853	6,197	15,590
Other	-	-	978	885	-	384	978	1,269
	<u>1,393</u>	<u>120</u>	<u>12,016</u>	<u>27,563</u>	<u>-</u>	<u>3,237</u>	<u>13,409</u>	<u>30,920</u>
General, net of recoveries							<u>4,219</u>	<u>26,857</u>
							<u>17,628</u>	<u>57,777</u>

#### *Environmental*

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest.

The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the properties may be diminished or negated.

#### *Title to Mineral Properties*

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history of many mineral properties.

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### **7. Mineral Properties, continued**

The Company has investigated title to its mineral property interests in accordance with industry standards for the current stage of exploration of such properties and, to the best of its knowledge, title to its properties is in good standing; however, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

#### *Realization of Assets*

Realization of the Company's investment in mineral properties is dependent upon the establishment of legal ownership, the obtaining of permits, the satisfaction of governmental requirements, the attainment of successful production from the properties, or from the proceeds of their disposal. The attainment of commercial production is in turn dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the property interest, and upon future profitable production.

### **8. Reclamation Bonds**

The Company has posted non-interest-bearing reclamation bonds against any potential land restoration costs that may be incurred in the future. The funds are held in trust and may be released after required reclamation is satisfactorily completed. As at December 31, 2021, amounts on deposit were \$12,000 (2020 - \$12,000) relating to Swift Katie and \$nil (2020 - \$17,667 (US\$13,852)) relating to Weepah.

### **9. Loan / Other Investment**

On June 2, 2020, the Company entered into a Letter of Intent to acquire Poconé Mining Mineração Ltda ("PMM") a private company incorporated under the laws of Brazil. The acquisition was formalized into a definitive purchase agreement on September 3, 2020 and received regulatory approval on August 25, 2021. On October 15, 2021, the Company issued 8,000,000 common shares and 8,000,000 common share purchase warrants to the quota holders of PMM, whereby each warrant is exercisable to purchase one common share at an exercise price of \$0.10 for a period of four years, and formally acquired PMM (Note 11).

As at October 15, 2021, the Company had advanced non-interest-bearing loans totalling \$2,103,500 (December 31, 2020 - \$2,028,500) to PMM.

During May 2021, the Company approved the sale of PMM to Pilar Gold Inc. ("Pilar Gold") and on August 25, 2021, the sale agreement received regulatory approval. On October 15, 2021, in accordance with the sale agreement, the Company:

- Received 4,000,000 common shares of Pilar Gold at a fair value of \$0.60 per share, representing a purchase price of \$2,400,000, subject to adjustment contingent upon the issue price of Pilar Gold's proposed Initial Public Offering; and
- Issued 4,500,000 common shares at a fair value of \$0.04 per share in respect of consulting compensation of US\$180,000 between the Company and the PMM quota holders (Note 11).

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### 9. Loan / Other Investment, continued

The fair value of shares received has been measured in accordance with Level 3 of the fair value hierarchy.

The Company recognized a loss on sale as follows:

	<b>2021</b>
Fair value of shares issued	\$ 320,000
Fair value of warrants issued	256,815
Advances to PMM	2,103,500
Fair value of shares received	(2,400,000)
	<b>\$ 280,315</b>

Other investment as at December 31, 2021 was:

	<b>\$</b>
Balance as at December 31, 2020	-
Fair value of shares received	2,400,000
<b>Balance as at December 31, 2021</b>	<b>2,400,000</b>

### 10. Related Party Balances and Transactions

Except as disclosed elsewhere, the Company entered into the following related party transactions:

(a) Pursuant to a reinstated service agreement effective September 1, 2020, between the Company and a private company controlled, until October 31, 2021, by a director and officer of the Company, the Company was charged as:

- \$50,000 (2020 - \$20,000) for office space and general administration services;
- \$27,500 (2020 - \$11,000) for professional services;
- \$23,625 (2020 - \$14,940) for consulting services;
- \$34,215 (2020 - \$17,560) for investor relations services;
- \$4,889 (2020 - \$4,695) for geological services; and
- \$2,458 (2020 - \$3,567) for the mark-up on out-of-pocket expenses.

Amounts payable as at December 31, 2021 were \$463,509 (2020 - \$326,606) (Note 15).

(b) Legal fees in the amount of \$20,960 (2020 - \$80,721) were charged by a Company controlled by a director and officer of the Company. Fees are included in professional fees, mineral property acquisition or exploration expenditures or share issue costs where applicable. Amounts payable as at December 31, 2021 were \$123,396 (2020 - \$99,921).

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### 10. Related Party Balances and Transactions, continued

- (c) Legal fees in the amount of \$5,640 (2020 - \$nil) were charged by a Company controlled by an officer of the Company. Fees are included in professional fees, mineral property acquisition or exploration expenditures or share issue costs where applicable. Amounts payable as at December 31, 2021 were \$6,317 (2020 - \$nil).
- (d) Fees in the amount of \$12,000 (2020 - \$12,000) were charged by an officer of the Company for consulting services. Amounts payable as at December 31, 2021 were \$23,900 (2020 - \$11,300).
- (e) Fees in the amount of US\$6,750 (2020 - US\$18,900) were charged by a director of the Company for geological consulting services. Amounts payable as at December 31, 2021 were \$36,386 (US\$28,750) (2020 - \$28,059 (US\$22,000)).
- (f) Loans bearing interest at 5% per annum totalling \$nil (2020 - \$30,000) were advanced by a company controlled by a director and officer of the Company. A total of \$nil (2020 - \$106,041) was repaid with respect to funds advanced of \$nil (2020 - \$102,500) and interest accrued of \$nil (2020 - \$3,541) at an interest rate of 5% per annum.

These transactions were in the normal course of operations and were measured at the fair value of the services rendered. With the exception of interest-bearing loans, amounts due to related parties are unsecured, non-interest-bearing, and have no formal terms of repayment. The key management personnel of the Company are the directors and officers of the Company. The Company has no long-term employee or post-employment benefits. A summary of compensation awarded to key management, including amounts in (d) and (e) above, was as follows:

	2021	2020
Short-term benefits	\$ 20,447	\$ 37,345
Share-based payments	2,892	174,810
Total	\$ 23,339	\$ 212,155

### 11. Share Capital

#### (a) Authorized

Unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

#### (b) Equity Financings

*Year ended December 31, 2021*

On August 3, 2021, the Company closed a non-brokered private placement and issued 8,270,000 units at a price of \$0.05 per unit for gross proceeds of \$413,500. Each unit consisted of one common share and one-half share purchase warrant whereby each full warrant is exercisable to purchase one common share at an exercise price of \$0.10 for a period of three years.

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### 11. Share Capital, continued

#### (b) Equity Financings, continued

The Company also issued 341,300 finders' warrants, whereby each warrant is exercisable to purchase one common share at an exercise price of \$0.10 for a period of three years (Note 11(f)).

*Year ended December 31, 2020*

On June 15, 2020, the Company closed the first tranche of a non-brokered private placement and issued 7,260,000 units at a price of \$0.05 per unit for gross proceeds of \$363,000. On July 9, 2020, the Company closed the final tranche of this private placement and issued 20,910,000 units at a price of \$0.05 per unit for gross proceeds of \$1,045,500. Each unit consisted of one common share and one share purchase warrant whereby each warrant is exercisable to purchase one common share at an exercise price of \$0.10 for a period of four years.

The Company also issued a total of 576,100 finders' warrants, whereby each warrant is exercisable to purchase one common share at an exercise price of \$0.10 for a period of four years (Note 11(f)).

On November 30, 2020, the Company closed the first tranche of a non-brokered private placement and issued 7,220,330 units at a price of \$0.075 per unit for gross proceeds of \$541,525. On December 9, 2020, the Company closed the final tranche of this private placement and issued 14,666,667 units at a price of \$0.075 per unit for gross proceeds of \$1,100,000. Each unit consisted of one common share and one-half warrant, with each full warrant exercisable to purchase one common share at an exercise price of \$0.125 for a period of three years.

The Company also issued 6,650 finders' warrants, whereby each warrant is exercisable to purchase one common share at an exercise price of \$0.125 for a period of three years (Note 11(f)).

#### (c) Other

*Year ended December 31, 2021*

On October 15, 2021, to acquire PMM, the Company issued 8,000,000 common shares, with a fair value of \$0.04 per common share, and 8,000,000 common share purchase warrants, with a fair value of \$0.03 per common share purchase warrant, whereby each warrant is exercisable to purchase one common share at an exercise price of \$0.10 for a period of four years (Note 9).

On October 15, 2021, the Company issued 4,500,000 common shares, with a fair value of \$0.04 per common share, to settle accrued debt of US\$180,000. A gain on settlement of debt was recognized of \$42,462 (Note 9).

*Year ended December 31, 2020*

On October 28, 2020, the Company issued 2,132,992 common shares, with a fair value of \$0.07 per common share, to settle 2018, 2019 and 2020 Swift Katie AMR payments.

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### 11. Share Capital, continued

#### (d) Share Purchase Warrants

Share purchase warrants outstanding as at December 31, 2021 were:

Exercise Price	Expiry Date	Balance			Balance December 31, 2021
		December 31, 2020	Issued	Expired	
\$0.125	* October 5, 2021	1,658,400	-	1,658,400	-
\$0.125	* October 5, 2021	354,500	-	354,500	-
\$1.00	October 5, 2021	12,000	-	12,000	-
\$0.125	* December 29, 2021	281,510	-	281,510	-
\$1.00	December 29, 2021	10,560	-	10,560	-
\$0.125	* March 28, 2021	775,366	-	775,366	-
\$0.50	March 28, 2021	2,919	-	2,919	-
\$0.125	* April 23, 2021	345,000	-	345,000	-
\$0.50	April 23, 2021	14,000	-	14,000	-
\$0.125	* August 1, 2023	390,000	-	-	390,000
\$0.50	August 1, 2023	5,600	-	-	5,600
\$0.125	* September 18, 2023	1,070,340	-	-	1,070,340
\$0.10	June 15, 2024	7,260,000	-	-	7,260,000
\$0.10	June 15, 2024	177,800	-	-	177,800
\$0.10	July 9, 2024	20,910,000	-	-	20,910,000
\$0.10	July 9, 2024	398,300	-	-	398,300
\$0.125	November 30, 2023	3,610,167	-	-	3,610,167
\$0.125	November 30, 2023	6,650	-	-	6,650
\$0.125	December 14, 2023	7,333,334	-	-	7,333,334
\$0.10	August 3, 2024	-	4,135,000	-	4,135,000
\$0.10	August 3, 2024	-	341,300	-	341,300
\$0.10	October 21, 2025	-	8,000,000	-	8,000,000
		<b>44,616,446</b>	<b>12,476,300</b>	<b>3,454,255</b>	<b>53,638,491</b>
Weighted average exercise price		\$0.18	\$0.10	\$0.13	\$0.11
Weighted average contractual life remaining (years)		3.12			2.57

\* During February and June 2021, the Company repriced certain warrants issued in connection with separate private placements to \$0.125. Subsequent to the reprice, these warrants will be subject to an accelerated exercise period provision whereby if the closing price of the common shares is \$0.165 or higher for 10 consecutive trading days (the "Premium Trading Days"), warrant holders will have 30 calendar days, commencing 7 calendar days after the last Premium Trading Day, to exercise the warrants.

The weighted average fair value of warrants expired was \$0.36 (2020 - \$nil).

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## 11. Share Capital, continued

### (d) Share Purchase Warrants, continued

Share purchase warrants outstanding as at December 31, 2020 were:

Exercise Price	Expiry Date	Balance		Balance December 31, 2020
		December 31, 2019	Issued	
\$1.00	October 5, 2021	1,658,400	-	1,658,400
\$1.00	October 5, 2021	354,500	-	354,500
\$1.00	October 5, 2021	12,000	-	12,000
\$1.00	December 29, 2021	281,510	-	281,510
\$1.00	December 29, 2021	10,560	-	10,560
\$0.50	March 28, 2021	775,366	-	775,366
\$0.50	March 28, 2021	2,919	-	2,919
\$0.50	April 23, 2021	345,000	-	345,000
\$0.50	April 23, 2021	14,000	-	14,000
\$0.50	August 1, 2023	390,000	-	390,000
\$0.50	August 1, 2023	5,600	-	5,600
\$0.50	September 18, 2023	1,070,340	-	1,070,340
\$0.10	June 15, 2024	-	7,260,000	7,260,000
\$0.10	June 15, 2024	-	177,800	177,800
\$0.10	July 9, 2024	-	20,910,000	20,910,000
\$0.10	July 9, 2024	-	398,300	398,300
\$0.125	November 30, 2023	-	3,610,167	3,610,167
\$0.125	November 30, 2023	-	6,650	6,650
\$0.125	December 14, 2023	-	7,333,334	7,333,334
		<b>4,920,195</b>	<b>39,696,251</b>	<b>44,616,446</b>
Weighted average exercise price		\$0.74	\$0.11	\$0.18
Weighted average contractual life remaining (years)		2.23		3.12

Share purchase warrants issued and contingently exercisable as at December 31, 2021 were:

Exercise Price	Expiry Date	Balance	
		December 31, 2020	December 31, 2021
\$0.50	August 11, 2022	30,000	30,000
\$0.50	August 11, 2023	30,000	30,000
\$0.50	Note 1	30,000	30,000
\$0.50	Note 2	30,000	30,000
		<b>120,000</b>	<b>120,000</b>
Weighted average exercise price		\$0.50	\$0.50
Weighted average contractual life remaining (years)		3.13	2.11

(1) Expire two years from Los Reyes property payment of US\$300,000 due on August 11, 2022

(2) Expire two years from Los Reyes property payment of US\$3,250,000 due on August 11, 2023

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### 11. Share Capital, continued

#### (d) Share Purchase Warrants, continued

Share purchase warrants issued and contingently exercisable as at December 31, 2020 were:

Exercise Price	Expiry Date	Balance December 31, 2019	Balance December 31, 2020
\$0.50	August 11, 2022	30,000	30,000
\$0.50	Note 1	30,000	30,000
\$0.50	Note 2	30,000	30,000
\$0.50	Note 3	30,000	30,000
		<b>120,000</b>	<b>120,000</b>
Weighted average exercise price		\$0.50	\$0.50
Weighted average contractual life remaining (years)		4.15	3.13

(1) Expire two years from Los Reyes property payment of US\$200,000 due on August 11, 2021 (paid August 11, 2021)

(2) Expire two years from Los Reyes property payment of US\$300,000 due on August 11, 2022

(3) Expire two years from Los Reyes property payment of US\$3,250,000 due on August 11, 2023

#### (e) Stock Options

The Company has a rolling stock option plan (the "Plan") allowing for the reservation of common shares issuable under the Plan to a maximum 10% of the number of issued and outstanding common shares of the Company at any given time. The term of stock options granted under the Plan may not exceed ten years and the exercise price may not be less than the closing price of the Company's shares on the last business day immediately preceding the date of grant, less any permitted discount. On an annual basis, the Plan requires approval by the Company's shareholders and submission for regulatory review and acceptance.

Stock options outstanding and exercisable as at December 31, 2021 were:

Exercise Price	Expiry Date	Balance December 31, 2020	Balance December 31, 2021
\$0.50	March 27, 2022	390,000	390,000
\$0.08	October 19, 2025	100,000	100,000
\$0.10	December 21, 2025	4,550,000	4,550,000
		<b>5,040,000</b>	<b>5,040,000</b>
Weighted average exercise price - outstanding		\$0.13	\$0.13
Weighted average exercise price - exercisable		\$0.13	\$0.13
Weighted average contractual life remaining (years) - outstanding		4.68	3.68
Weighted average contractual life remaining (years) - exercisable		4.68	3.68

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## 11. Share Capital, continued

### (e) Stock Options

Stock options outstanding and exercisable as at December 31, 2020 were:

Exercise Price	Expiry Date	Balance			Balance December 31, 2020
		December 31, 2019	Granted	Expired	
\$0.50	March 27, 2022	420,000	-	30,000	390,000
\$0.08	October 19, 2025	-	100,000	-	100,000
\$0.10	December 21, 2025	-	4,550,000	-	4,550,000
		<b>420,000</b>	<b>4,650,000</b>	<b>30,000</b>	<b>5,040,000</b>
Weighted average exercise price - outstanding		\$0.50	\$0.10	\$0.50	\$0.13
Weighted average exercise price - exercisable		\$0.50	\$0.10	\$0.50	\$0.13
Weighted average contractual life remaining (years) - outstanding		2.24			4.68
Weighted average contractual life remaining (years) - exercisable		2.24			4.68

The weighted average fair value of stock options expired was \$nil (2020 - \$0.48).

### (f) Fair Value Determination

The weighted average fair value of finders warrants issued was \$0.03 (2020 - \$0.10), warrants issued for the acquisition of PMM was \$0.03 (2020 - \$nil) and stock options granted was \$nil (2020 - \$0.07). Fair value was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2021 Warrants	2020 Options	2020 Warrants
Risk-free interest rate	1.11%	0.44%	0.35%
Expected share price volatility	150.69%	168.63%	142.40%
Expected life in years	3.96	5.00	3.99
Expected dividend yield	0.00%	0.00%	0.00%

The total calculated fair value of share-based payments recognized was:

	2021	2020
Consolidated Statements of Comprehensive Loss		
Directors and officers	\$ -	\$ 174,810
Consultants	2,892	147,975
	<b>2,892</b>	<b>322,785</b>
Consolidated Statements of Changes in Equity (Deficit)		
PMM acquisition warrants	256,815	-
Finders' warrants	10,795	55,395
Total	<b>\$ 270,502</b>	<b>\$ 378,180</b>

## Valterra Resource Corporation

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### 12. Supplemental Cash Flow Information

	2021	2020
Cash Items		
Interest paid	\$ -	\$ 3,541
Non-Cash Items		
Investing Activities		
Fair value of marketable securities received	\$ 3,150	\$ -
Shares issued for PMM	\$ 320,000	\$ -
Warrants issued for PMM	\$ 256,815	\$ -
Shares issued for accounts payable	\$ 180,000	\$ -
Fair value shares received for PMM	\$ 2,400,000	\$ -
Mineral property acquisition in accounts payable	\$ 129,060	\$ 130,059
Shares issued for mineral property	\$ -	\$ 154,909

### 13. Income Tax

A reconciliation of the income tax expense computed at statutory rates to the reported loss before taxes is as follows:

	2021	2020
Income tax benefit at statutory rate of 27% (2020 - 27.00%)	\$ 306,117	\$ 327,431
Permanent differences	(137,664)	(162,655)
Temporary differences	(376)	(32)
Other	47,342	94,908
Unused tax losses and tax offsets not recognized	(215,419)	(259,652)
Effect of change in tax rate	-	-
	\$ -	\$ -

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2021	2020
Non-capital losses	\$ 6,980,092	\$ 6,359,485
Share issue costs	64,707	66,620
Tax value over book value of mineral properties	2,625,493	2,487,234
Tax value over book value of income tax credits	21,432	21,432
Tax value over book value of equipment	29,417	29,417
	\$ 9,721,141	\$ 8,964,188

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### 13. Income Tax, continued

The Company has unrecognized non-capital losses of approximately US\$32,000 available to carry forward indefinitely. The Company's other unrecognized non-capital losses expire as follows:

	CDN \$	Mxn Peso
2026	374,000	-
2027	564,000	-
2028	594,000	318,000
2029	594,000	898,000
2030	512,000	557,000
2031	369,000	302,000
2032	521,000	-
2033	667,000	-
2034	174,000	-
2035	112,000	-
2036	356,000	-
2037	355,000	-
2038	292,000	-
2039	155,000	-
2040	555,000	-
2041	601,000	-
	6,795,000	2,075,000

### 14. Segmented Information

The Company has one operating segment, the acquisition and exploration of mineral properties. As at December 31, 2021, the Company's non-current assets were located in Canada (\$12,000) and Brazil (\$2,400,000) (2020 - Canada (\$12,000), the United States of America (\$17,667) and Brazil (\$2,028,500)).

### 15. Events after the Reporting Period

Other than disclosed elsewhere, the following events occurred subsequent to December 31, 2021:

- On February 1, 2022, the Company entered into a debt settlement agreement with a company formally controlled by a director and officer of the Company (Note 10). The agreement proposes an issuance of 9,270,186 common shares at a deemed price of \$0.05 per common share to settle amounts due to related parties of \$463,509. The agreement remains subject to acceptance of the TSX Venture Exchange.
- On March 27, 2022, 390,000 stock options exercisable at \$0.50 expired unexercised.