

Consolidated Financial Statements of

WILTON RESOURCES INC.

As at and for the years ended December 31, 2021 and 2020

Independent Auditors' Report

To: The Shareholders of **Wilton Resources Inc.**

Opinion

We have audited the consolidated financial statements of Wilton Resources Inc. and its subsidiaries (collectively, the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and the consolidated statements of operations and comprehensive loss, changes in shareholders' deficit and cash flows for the year then ended, and 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 financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the 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 audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements which indicates that at December 31, 2021 the Company had a working capital deficit of \$767,822. This condition, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Other Matter

The financial statements of the Company for the year ended December 31, 2020, were audited by another auditor who expressed an unmodified opinion on those statements on May 4, 2021.

Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. 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 these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Report (continued)

In preparing the 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 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 financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the 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 financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this Independent Auditors' report is Roland A. Bishop, CPA, CA.



Chartered Professional Accountants

April 29, 2022
Calgary, Alberta

WILTON RESOURCES INC.
Consolidated Statements of Financial Position

As At	Note	December 31, 2021	December 31, 2020
Assets			
Current Assets			
Cash		\$ 348,532	\$ 275,912
Accounts receivable		8,021	6,233
Prepaid expenses		19,435	62,632
		375,988	344,777
Due from related party	15	363,652	257,531
Property and equipment	7	39,822	44,779
Total Assets		\$ 779,462	\$ 647,087
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 1,143,810	\$ 1,177,492
Deferred share capital contributions	9	-	300,000
		1,143,810	1,477,492
Decommissioning obligation	8	49,601	49,653
Total Liabilities		1,193,411	1,527,145
Shareholders' Equity (Deficit)			
Share capital	9	16,413,971	15,216,302
Warrants	11	1,187,602	717,686
Contributed surplus		8,738,308	7,498,024
Deficit		(26,753,830)	(24,312,070)
		(413,949)	(880,058)
Total Liabilities and Shareholders' Equity (Deficit)		\$ 779,462	\$ 647,087
Going concern	2		
Subsequent events	16		

See accompanying notes to the consolidated financial statements.

These consolidated financial statements were approved by the Directors of the Company.

(signed) "Richard Anderson" , Director (signed) "Gerald Roe" , Director

WILTON RESOURCES INC.**Consolidated Statements of Operations and Comprehensive Loss
For the years ended December 31,**

	Note	2021	2020
Revenue			
Petroleum and natural gas sales		\$ 12,442	\$ 12,523
Less:			
Royalty		428	642
		12,014	11,881
Expenses			
Production		4,780	7,850
Remediation expense	8	(945)	28,891
Professional fees		323,405	221,636
Officer & consulting costs		429,442	736,647
Office & administrative		223,843	219,749
Meals and travel		50,920	31,495
Stock-based compensation	10	1,245,283	456,293
Accretion and change in estimate of decommissioning obligation	8	(52)	2,883
Depletion	7	4,957	9,563
		2,281,633	1,715,007
Net loss and comprehensive loss		\$ 2,269,619	\$ 1,703,126
Loss per share - basic and diluted	12	\$ 0.04	\$ 0.03

See accompanying notes to the consolidated financial statements.

WILTON RESOURCES INC.
Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020

	Note	2021	2020
Cash flows used in operating activities			
Net loss		\$ (2,269,619)	\$ (1,703,126)
Items not affecting cash:			
Stock-based compensation	10	1,245,283	456,293
Accretion	8	(52)	2,883
Depletion	7	4,957	9,563
Change in non-cash working capital		(292,274)	76,850
Net cash used in operating activities		(1,311,705)	(1,157,537)
Cash flows from financing activities			
Exercise of options	10	123,300	60,000
Exercise of warrants	11	150,000	-
Proceeds on issuance of common shares and units, net	9	1,217,146	724,358
Deferred share capital contributions	9	-	300,000
Advances to related party	14	(106,121)	68,168
Net cash provided by financing activities		1,384,325	1,152,526
Cash flows used in investing activities			
Net cash used in investing activities		-	-
Change in cash position		72,620	(5,011)
Cash, beginning of year		275,912	280,923
Cash, end of year		\$ 348,532	\$ 275,912

See accompanying notes to the consolidated financial statements.

WILTON RESOURCES INC.

**Consolidated Statements of Changes in Shareholders' Deficit
For the Years ended December 31, 2021 and 2020**

	Share capital	Contributed surplus	Warrants/ agents' options	Deficit	Total
Balance at January 1, 2021	\$ 15,216,302	\$ 7,498,024	\$ 717,686	\$ (24,312,070)	\$ (880,058)
Issuance of common shares and units, net	1,217,146	-	-	-	965,146
Warrants issued as part of units (note 9)	(502,640)	-	502,640	-	-
Warrants expired (note 11)	-	158,716	(158,716)	-	-
Warrant extension (note 11)	-	-	172,141	(172,141)	-
Warrants exercised	196,148	-	(46,149)	-	401,999
Options exercised	287,015	(163,715)	-	-	123,300
Share-based compensation (note 10)	-	1,245,283	-	-	1,245,283
Net loss and comprehensive loss	-	-	-	(2,269,619)	(2,269,619)
Balance at December 31, 2021	\$ 16,413,971	\$ 8,738,308	\$ 1,187,602	\$ (26,753,830)	\$ (413,949)
Balance at January 1, 2020	\$ 14,446,481	\$ 5,648,021	\$ 2,096,859	\$ (22,608,944)	\$ (417,583)
Issuance of common shares and units, net	724,358	-	-	-	724,358
Warrants issued as part of units (note 9)	(79,137)	-	79,137	-	-
Warrants expired (note 11)	-	1,458,310	(1,458,310)	-	-
Warrant extension (note 11)	124,600	(64,600)	-	-	60,000
Share-based compensation (note 10)	-	456,293	-	-	456,293
Net loss and comprehensive loss	-	-	-	(1,703,126)	(1,703,126)
Balance at December 31, 2020	\$ 15,216,302	\$ 7,498,024	\$ 717,686	\$ (24,312,070)	\$ (880,058)

See accompanying notes to the consolidated financial statements.

WILTON RESOURCES INC.

Notes to the Consolidated Financial Statements

Years ended December 31, 2021 and 2020

1. General business description

Hackamore Capital Corp. was incorporated under the laws of the Province of Alberta on August 15, 2007 and changed its name to Wilton Resources Inc. on October 27, 2008. On July 24, 2009, the Company completed its initial public offering (“IPO”) by way of a capital pool company prospectus. The Company was listed as a capital pool company (“Capital Pool Company”) as defined in Policy 2.4 of the TSX Venture Exchange (“TSXV”) on August 5, 2009. On October 28, 2011, Wilton completed its qualifying transaction (“Qualifying Transaction”) by the acquisition of a 75% non-operated working interest in a producing oil and natural gas well located in Monitor, Alberta.

The consolidated financial statements of the Company comprise of the accounts of the Company and its subsidiaries (collectively, the "Company" or "Wilton"). Wilton is currently an oil and gas exploration and development company, with a property in Canada, however, the Company is pursuing oil and gas properties in various international locations including the Middle East and Africa.

The common shares of the Company (“Common Shares”) are listed for trading on the TSXV with the trading symbol WIL.

The address of the Company is 1900, 520-3rd Ave SW, Calgary, Alberta, T2P 0R3.

2. Going concern

As at December 31, 2021, the Company has a working capital deficit of \$767,822 (2020 - \$1,132,715). In order to settle its existing liabilities and continue operations, including its ongoing oil and natural gas acquisition, exploration and development activities, Wilton will require additional financing. Failure to obtain such financing on a timely basis could cause Wilton to forfeit its interest in its properties, to miss acquisition opportunities and/or to reduce or terminate its operations. There can be no assurance that debt or equity financing will be available or for an amount sufficient to meet the Company’s needs and intentions, or, if debt or equity financing is available, that it will be on terms acceptable to Wilton. Moreover, future activities may require Wilton to alter its capitalization significantly. The inability of Wilton to access sufficient capital for its operations could have a material adverse effect on Wilton’s financial condition, results of operations or prospects. These conditions create a material uncertainty which may cast significant doubt on the Company’s ability to continue as a going concern.

The coronavirus pandemic (COVID-19) and the subsequent economic recovery continues to drive the global demand and prices for crude oil and natural gas. Restrictions on the conduct of business in many jurisdictions remain and the global movement of people and some goods continues to be challenging. There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on the Company’s operations. The extent to which COVID-19 impacts the Company’s results long-term will depend on future developments, which are highly uncertain and cannot be predicted, including actions taken to contain COVID-19, the timing of the recovery, and lifting of travel restrictions and movement of goods and services. COVID-19 may limit management’s ability to travel and conduct meetings with third parties. In person meetings are important to generating and progressing investment opportunities. The availability of third parties to meet or conduct business with respect to the opportunities Wilton is pursuing may be impacted with priorities shifting to managing personal safety and present operations.

WILTON RESOURCES INC.
Notes to the Consolidated Financial Statements
Years ended December 31, 2021 and 2020

3. Basis of presentation

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

These consolidated financial statements were authorized for issue by the Board of Directors of the Company on April 28, 2022.

3.2 Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. The following companies have been consolidated within the Company’s financial statements.

Subsidiary	Registered	Holding
Beacon Upstream Limited	Nigeria	45%
Wilton Overseas Holding SA	Panama	100%
Wilton Investment Holdings SA	Panama	100%

There are no transactions in any of the entities listed above.

3.3 Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency of the Company and its subsidiaries.

3.4 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain instruments as outlined in the accounting policies, which are measured at fair value.

3.5 Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates.

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. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

WILTON RESOURCES INC.
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The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets, liabilities and equity as at December 31, 2021:

Estimating oil and gas reserves

The Company engages a qualified, independent oil and gas reserves evaluator to perform an estimation of the Company's oil and gas reserves annually. Reserves form the basis for the calculation of depletion charges and assessment of impairment of oil and gas assets. Reserves are estimated using the reserve definitions and guidelines prescribed by National Instrument 51-101 and the Canadian Oil and Gas Evaluation Handbook.

Proved plus probable reserves are defined as the "best estimate" of quantities of oil, natural gas and related substances estimated to be commercially recoverable from known accumulations, from a given date forward, based on drilling, geological, geophysical and engineering data, the use of established technology and specified economic conditions. It is equally likely that the actual remaining quantities recovered will be greater than or less than the sum of the estimated proved plus probable reserves. The estimates are made using available geological and reservoir data as wells as historical production data. Estimates are reviewed and revised as appropriate. Revisions occur as a result of changes in prices, costs, fiscal regimes and reservoir performance or a change in the Company's plans with respect to future development or operating practices.

Decommissioning provision

The Company estimates obligations under environmental regulations in respect of decommissioning and its restoration. These obligations are determined based on the expected present value of expenses required in the process of plugging and abandoning wells, dismantling of wellheads, production and transportation facilities and restoration of producing areas in accordance with relevant legislation, discounted from the date when expenses are expected to be incurred. Most of the abandonment of future expenses, estimated logistics of performing abandonment work and the discount rate used to calculate the present value of future expenses would have a significant effect on the carrying amount of the decommissioning provision.

Impairment testing

The impairment testing of property and equipment is completed for each cash generating unit ("CGU"), which is the lowest level at which there are identifiable cash flows that are independent from other group assets. The impairment testing is based on estimates of proved plus probable reserves, production rates, oil and natural gas prices, future costs, discount rate and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and may impact the consolidated financial statements of future periods.

Fair values of stock options and warrants

The amounts recorded for the fair values of stock options and warrants is based on estimates of the expected volatility of the Company's share price, expected lives of the options and warrants, expected future dividend rates and other relevant assumptions.

WILTON RESOURCES INC.
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Due from related party

The Company estimates the recoverability of the balance of due from related party based on uncertain future events and assumptions.

4. Significant accounting policies

4.1 Cash

Cash comprises of cash on hand, cash at bank and short-term investments include investments in highly liquid instruments with original maturities of three months or less.

4.2 Financial instruments

The Company recognizes financial assets and financial liabilities, including derivatives, on the consolidated statements of financial position when the Company becomes a party to the contract. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or when the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are removed from the consolidated financial statements when the liability is extinguished either through settlement of or release from the obligation of the underlying liability.

Financial assets, financial liabilities and derivatives are measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instrument's classification, as described below.

Amortized cost

A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of the cash flows; and all contractual cash flows represent only principal and interest on that principal. All financial liabilities are measured at amortized cost using the effective interest method except for liabilities incurred for the purposes of selling or repurchasing in the short-term liabilities, if they are held-for trading and those that meet the definition of a derivative. Cash, accounts receivable, due from related party, accounts payable and accrued liabilities, and deferred share capital contributions are measured at amortized cost.

Fair value through other comprehensive income ("FVTOCI")

A financial asset shall be measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payment of Principal and Interest ("SPPI") on the principal amount outstanding. The Company has no financial assets measured at FVOCI.

Fair value through profit or loss ("FVTPL")

All financial assets that do not meet the definition of being measured at amortized cost or FVTOCI are measured at FVTPL, this includes all derivative financial assets. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. For financial assets and liabilities, the Company may make an irrevocable election to designate an asset at FVTPL. If the election is made it is irrevocable, meaning that asset, liability, or group of financial instruments must be recorded at FVTPL until that asset, liability or group of financial instruments are derecognized. The company has no financial assets measured at FVTPL.

WILTON RESOURCES INC.
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Financial assets and liabilities are offset and the net amount is reported on the balance sheet when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

4.3 Equity instruments

Common shares are classified as equity. Incremental costs directly attributable to the common shares are recognized as a deduction from equity, net of any tax effects.

4.4 Impairment of Financial Assets

The Company addresses at each reporting date whether there is objective evidence that a financial asset, other than those at fair value through profit and loss, or a group of financial assets, is impaired. When an impairment has occurred, the loss is recognized in the statement of operations and comprehensive loss.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Receivables that are assessed not to be impaired are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables may include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in the national or local economic conditions that may default on receivables.

For financial assets carried at amortized cost, the amount of impairment loss recognized is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the financial assets' original effective interest rate.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive loss are reclassified to earnings/loss in the period.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited through the allowance account. Changes in the carrying amount of the allowance account are recognized in earnings/loss.

With the exception of equity instruments, an impairment loss on financial assets is reversed if the reversal can be related objectively to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed through earnings to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. Any increase in fair value subsequent to an impairment loss with respect to equity instruments is recognized in comprehensive loss.

WILTON RESOURCES INC.
Notes to the Consolidated Financial Statements
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4.5 Income taxes

Income tax expense or recovery is comprised of current and deferred tax. Income tax expense or recovery is recognized in earnings/loss except to the extent that it relates to items recognized in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, plus any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, including carry forward of non-capital losses, can be utilized.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they are related to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, where the intention is to settle current tax liabilities and asset on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is not probable that the related tax benefit will be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future profit will allow the deferred tax asset to be recovered.

4.6 Share-based compensation

Options granted to employees, non-employees and directors are recorded at their estimated fair value using a Black-Scholes option pricing model as at the date of grant. The associated compensation cost is recognized over the vesting period of the options, net of an estimated forfeiture rate. When the options are exercised, share capital is adjusted to recognize the proceeds received and the associated non-cash compensation costs.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is estimated using a Black-Scholes option pricing model.

4.7 Warrants

The Company utilizes the relative fair value method with respect to the measurement of shares and warrants issued as private placement units. The relative fair value method allocates value to each component on a pro-rata basis, based on the fair value of the components calculated independently of one another. The Company considers the market value of the common shares issued as fair value, and measures the fair value of the warrant component of the unit using the Black-Scholes option pricing model. The unit value is then allocated, pro-rata, between the two components, with the fair value attributed to the warrants being recorded to warrant reserve.

WILTON RESOURCES INC.
Notes to the Consolidated Financial Statements
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4.8 Exploration and evaluation assets

Pre-license costs are recognized in earnings/loss as incurred. Costs associated with acquiring an exploration license, including costs to acquire acreage and exploration rights, legal and other professional fees and land brokerage fees are capitalized as exploration and evaluation ("E&E") assets. Geological, geophysical and seismic costs associated with assessing exploration licenses are also capitalized to E&E. Land acquisition costs and expenditures directly associated with exploratory wells are capitalized as E&E assets and remain capitalized until the Company has made a determination of reserves or has chosen to discontinue all exploration activities in the associated area. E&E assets are not subject to depreciation and depletion.

At least annually a review of each exploration area is carried out to identify whether technical feasibility and commercial viability has been achieved, which is often when proved reserves have been discovered. Upon determination of technical feasibility and commercial viability, E&E assets, including land acquisition costs, related seismic and costs directly associated with exploratory wells attributable to those reserves are first tested for impairment and then reclassified from E&E assets to property and equipment. E&E assets are assessed for impairment if (i) sufficient data exists to determine the lack of technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, E&E assets are allocated to CGU's, which are the smallest group of assets capable of generating largely independent cash inflows.

If no reserves are identified, the capitalized exploration costs and relevant dry hole costs are recorded in earnings/loss.

4.9 Property and equipment

Petroleum and natural gas assets

Development and production costs, including E&E transfers, proved property acquisitions, seismic and geological analysis of proved reserves, drilling, completion, equipping and tying in of development wells, facility and road construction, and decommissioning costs related to oil and gas reserves which have reached technical feasibility and commercial viability are capitalized within property and equipment.

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as petroleum and natural gas assets only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in earnings/loss as incurred. Such capitalized subsequent petroleum and natural gas assets generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves and are accumulated on a field or geotechnical area basis.

Repairs, maintenance and the day-to-day servicing of the items of property and equipment are expensed as incurred. The carrying amount of any replaced or sold component is derecognized and any gains or losses from the divestiture of property and equipment are recognized in earnings.

WILTON RESOURCES INC.
Notes to the Consolidated Financial Statements
Years ended December 31, 2021 and 2020

Depletion

Petroleum and natural gas assets are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Petroleum and natural gas assets are depleted using the unit-of-production method over their reserve life based on proved plus probable reserve volumes, unless the useful life of the asset is less than the reserve life, in which case the asset is depreciated over its estimated useful life using the straight-line method. Future development costs are included in costs subject to depletion. Reserves and estimated future development costs are determined annually by qualified independent reserve engineers. Changes in factors such as estimates of reserves that affect unit-of-production calculations are dealt with on a prospective basis.

Proved plus probable reserves are estimated using independent reserves reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially viable.

Such reserves may be considered commercially viable if management has the intention of developing and producing them and such intention is based upon:

- (a) a reasonable assessment of the future economics of such production;
- (b) a reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production; and,
- (c) evidence that the necessary production, transmission and transportation facilities are available or can be made available.

Reserves may only be considered proved plus probable if their ability to be produced is supported by either actual production or a conclusive formation test.

Disposals

Petroleum and natural gas assets are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on derecognition of the asset, calculated as the difference between the proceeds on disposal, if any, and the carrying value of the asset, is recognized in earnings.

Depreciation

Assets held under finance leases will be depreciated over the expected lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

Impairment

At the balance sheet date, the Company reviews the carrying amounts of its property and equipment to determine if indicators of impairment exist. The individual asset represents the lowest level of identifiable cash flows for impairment purposes. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are adjusted for the risks specific to the asset and are discounted to their present value with a pre-

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tax discount rate that reflects the current market indicators. The fair value less costs to sell is the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in earnings/loss.

4.10 Decommissioning obligations

The Company's oil and gas operating activities give rise to dismantling, decommissioning and site remediation activities. Wilton recognizes a liability for the estimated present value of the future decommissioning liabilities at each balance sheet date using a credit-adjusted risk-free discount rate. The associated decommissioning cost is capitalized and amortized over the same period as the underlying asset. Changes in the estimated liability resulting from revisions to estimated timing, amount of cash flows, or changes in the discount rate are recognized as a change in the decommissioning liability and related capitalized decommissioning cost. Amortization of capitalized decommissioning costs is included in depreciation, depletion and amortization in net income (loss). Increases in decommissioning liabilities resulting from the unwinding of the discount rate are recorded as accretion. Actual expenditures incurred are charged against the decommissioning liability

4.11 Loss per share

Basic loss per share is calculated by dividing the net loss attributable to shareholders of the Company by the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to determine the dilutive effect of issued instruments such as options and warrants. This method assumes that proceeds received from the exercise of in-the-money instruments are used to repurchase common shares at the average market price for the year. These instruments are not included in the per share calculation if the effect of their inclusion is antidilutive.

4.12 Revenue and expense recognition

Revenue from the sale of crude oil, natural gas and natural gas liquids is recognized based on the consideration specified in contracts with customers. The Company recognizes revenue when control of the product transfers to the buyer and collection is reasonably assured. This is generally at the point in time when the customer obtains legal title to the product which is when it is physically transferred to the pipelines or other transportation method agreed upon.

4.13 Business combinations

The Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquire, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in earnings.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

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4.14 Future accounting pronouncements

Certain pronouncements were issued by the International Accounting Standards Board (“IASB”) or the IFRS Interpretations Committee (“IFRIC”) that are mandatory for accounting periods after December 31, 2021. Pronouncements that are not applicable to the Company have been excluded from this note.

IAS 16 – Property, plant and equipment – Proceeds before intended use

In May 2020, the IASB issued an amendment to prohibit the deducting from property, plant and equipment amounts received from selling items produced while preparing an item of PPE while bringing that item of PPE to the condition capable of operating in the manner intended by management. Instead, sales proceeds are to be recognized in profit or loss and the amounts are to be disclosed in a note if not presented separately in the statement. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted.

IAS 37 – Provisions

In May 2020, the IASB issued amendments that clarify the determination of the least net cost of exiting from an onerous contract, the costs that relate directly to the cost of fulfilling the contract. The amendments also modify the requirement to recognize any impairment loss that has occurred from assets dedicated to the contract to those used in fulfilling the contract. The amendments are to be applied to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Comparative information is not restated. Entities are to recognize the cumulative effect of initial application of the amendment as an adjustment to opening retained earnings or other appropriate component of equity. The amendment is effective for annual periods beginning on or after January 1, 2022 with no requirement for the restatement of comparatives amounts.

IAS 1 – Presentation of Financial Statements

In January 2020, the IASB issued amendments to deal with the classification of liabilities. Clarifications were added that if an entity does not have a right to defer settlement of a liability for at least twelve months after the reporting period they meet the definition of a current liability. The amendments are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.

IAS 12 – Income taxes

In September 2021, IAS 12 was amended to narrow the scope of when the existing exemption for recognizing deferred income tax assets and deferred income tax liabilities on initial recognition of an asset and a liability is applied. The amendments clarify the requirement to account for deferred tax on transactions such as initial recognition of leases and decommissioning obligations where the transaction gives rise to an equal taxable and deductible temporary difference. The amendment is effective for annual periods beginning on or after January 1, 2023 and applied retrospectively.

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5. Determination of fair values

Certain of the Company's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The significance of inputs used in making fair value measurements for assets and liabilities measured at fair value are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly and are based on valuation models and techniques where the inputs are derived from quoted indices. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The fair values of cash, accounts receivable, due from related party and accounts payable and accrued liabilities approximates their carrying values due to their short term to maturity.

6. Financial risk management

6.1 Overview

The Company's planned operations will expose it to a variety of financial risks that arise as a result of its operating and financing activities:

- credit risk;
- liquidity risk; and,
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

The Company employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Company's business objectives and risk tolerance levels. While the Directors have the overall responsibility for the establishment and oversight of the Company's risk management framework, management has the responsibility to administer and monitor these risks.

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6.2 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk at December 31, 2021 and 2020 is as follows:

	Carrying amount		Carrying amount	
	2021		2020	
Cash	\$	348,532	\$	275,912
Accounts receivable		8,021		6,233
Due from related party		363,652		257,531
Total	\$	720,205	\$	539,676

Cash consists of cash bank balances. The Company manages the credit exposure related to cash by selecting financial institutions with high credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

The Company's accounts receivable relates to amounts owing from petroleum and natural gas sales and GST receivables which are from the Canadian government and is subject to credit risk that would be considered normal in the environment.

The due from related party relates to amounts owing from Mr. Anderson, the CEO for advances on operating expenses.

6.3 Liquidity risk

Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements: (a) the Company will not have sufficient funds to settle a transaction on the due date; (b) the Company will be forced to sell financial assets at a value which is less than the fair value; or, (c) the Company may be unable to settle or recover a financial asset at all.

The Company's operating cash requirements are continuously monitored and adjusted as input variables change. As these variables change, liquidity risks may necessitate the Company to conduct equity issues or obtain project debt financing.

The Company's liquidity risk is reflected in Note 2, Going Concern. The Company will require additional funding to reduce its exposure to liquidity risk. The Company continuously monitors its actual and forecast cash flows to review whether there are adequate reserves to meet the maturing profiles of its liabilities (see note 2). The following table outlines the maturities of the Company's liabilities:

	Contractual Cash Flows	Less than 1 year	Greater than 1 year
Accounts payable and accrued liabilities	\$ 1,143,810	\$ 1,143,810	\$ -

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6.4 Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's net income or the value of financial instruments. The objective of the Company is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns.

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 had no financial contracts with terms based on interest rates in place and as a result has no exposure to interest rate risk as at or during the years ended December 31, 2021 and 2020.

Commodity price risk

The Company's financial performance is closely linked to natural gas and crude oil prices. While the Company may employ the use of various financial instruments in the future to manage these price exposures, the Company is not currently using any such instruments. The Company has not obtained any hedging instruments to mitigate the potential effects of price fluctuations. The Company does not currently have significant commodity price risk exposure.

Foreign exchange risk

The Company mainly transacts in Canadian dollars which is the Company's functional currency, therefore, the exposure to foreign currency fluctuation risk is minimal.

6.5 Capital management

The Company's capital management policy is to maintain a capital base that optimizes the Company's ability to grow, maintain investor and creditor confidence and to provide a platform to create value for its shareholders. The Company intends to maintain a flexible capital structure to maximize its ability to pursue additional investment opportunities, which considers the Company's early stage of development and the requirement to sustain future development of the business (see note 2).

The Company will manage its capital structure and make changes to it in the light of changes to economic conditions and the risk characteristics of the nature of the business. The Company considers its capital structure to include shareholders' deficit and working capital deficit. In order to maintain or adjust the capital structure, the Company may from time to time issue shares, seek debt financing and adjust its capital spending to manage its current and projected capital structure.

The Company is not subject to externally imposed capital requirements.

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7. Property and equipment

Petroleum and natural gas		
Cost		
Balance at January 1, 2020 and 2021	\$	930,219
Balance at December 31, 2020 & 2021	\$	930,219
Accumulated depletion and impairment		
Balance at January 1, 2020	\$	875,877
Depletion		9,563
Balance at December 31, 2020		885,440
Depletion		4,957
Balance at December 31, 2021	\$	890,397
Net book value, December 31, 2020	\$	44,779
Net book value, December 31, 2021	\$	39,822

8. Decommissioning obligation

Decommissioning obligations are estimated based on the Company's net working interest in all wells, the estimated costs to abandon and reclaim the wells and the estimated timing of the costs to be incurred in the future periods. These costs are expected to be incurred between 2022 – 2037 depending on the estimated reserve life. The undiscounted amount of the estimated costs at December 31, 2021 was \$53,983 (2020 - \$52,306). The estimated costs have been discounted at a risk-free rate of 1.41% (2020 - 0.60%) and an inflation rate of 1.45% (2020 - 0.84%) has been applied.

During the year, the Company had a remediation recovery of \$945 (2020 – expense of \$28,891) in remediation expense as a result of work done on the Company's non-producing well.

Balance, January 1, 2020	\$	46,770
Accretion		763
Change of estimate		2,120
Balance, December 31, 2020		49,653
Accretion		665
Change of estimate		(717)
Balance December 31, 2021	\$	49,601

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9. Share capital

(a) Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares, issuable in series, none of which are issued and outstanding as of the date hereof.

(b) Common Shares

The Company is authorized to issue an unlimited number of Common Shares without nominal or par value.

The holders of Common Shares are entitled to dividends, if, as and when declared by the board of directors, to one vote per share at meetings of the shareholders of the Company and, upon dissolution, to share equally in such assets of the Company as are distributable to the holders of Common Shares.

	Number of shares
Balance at January 1, 2020	55,963,832
Shares issued	3,000,000
Options exercised	200,000
Balance at December 31, 2020	59,163,832
Shares issued	3,441,430
Options exercised	685,000
Warrants exercised	375,000
Balance, December 31, 2021	63,665,262

On March 26, 2020, the Company closed a non-brokered private placement of 2,000,000 common shares of the Company at a purchase price of \$0.25 per common share for gross proceeds of \$500,000. These shares were issued to an insider who owns more than 10% beneficial ownership of the Company.

On September 14, 2020, the Company closed a private placement for an aggregate of 1,000,000 units of the Company at a purchase price of \$0.25 per unit for gross proceeds of \$250,000 (net proceeds of \$236,141 after deducting offering costs) (the “September 2020 Unit Offering”). Each unit sold pursuant to the September 2020 Unit Offering consisted of one Common Share and one Common Share purchase warrant. The fair value assigned to the purchase warrants sold issued as part of the September 2020 Unit Offering was \$79,137. Each purchase warrant entitles the holder thereof to purchase an additional Common Share for a period of twenty-four months from the date of issuance at an exercise price of \$0.30 per Common Share.

The fair value of the purchase warrants granted pursuant to the September 2020 Unit Offering was estimated using the Black-Scholes option pricing model based on the date of grant using the following assumptions:

Annualized volatility	97%
Dividend yield	0%
Risk-free interest rate	0.26%
Expected warrant life	2 years

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On January 26, 2021, the Company closed a private placement for an aggregate of 999,999 units of the Company at a purchase price of \$0.35 per unit for gross proceeds of \$350,000. Each unit sold pursuant to the private placement consisted of one Common Share and one Common Share purchase warrant. The fair value assigned to the purchase warrants pursuant to the unit offering was \$145,406. Each purchase warrant entitles the holder thereof to purchase an additional Common Share for a period of twenty-four months from the date of issuance at an exercise price of \$0.40 per Common Share. \$300,000 was received during the year ended December 31, 2020 and recorded as Deferred share capital contributions.

The fair value of the purchase warrants granted was estimated using the Black-Scholes option pricing model based on the date of grant using the following assumptions:

Annualized volatility	99.20%
Dividend yield	0%
Risk-free interest rate	0.17%
Expected option life	2 years

In February 2021, the Company received exercise notice for 685,000 stock options that were issued on February 17, 2016 with an exercise price of \$0.18 per share. The Company received proceeds of \$123,300 in exchange for 685,000 Common Shares.

On April 9, 2021, the Company closed a private placement for an aggregate of 520,000 units of the Company at a purchase price of \$0.50 per unit for gross proceeds of \$260,000. Each unit sold pursuant to the private placement consisted of one Common Share and one Common Share purchase warrant. The fair value assigned to the purchase warrants pursuant to the unit offering was \$85,560. Each purchase warrant entitles the holder thereof to purchase an additional Common Share for a period of twenty-four months from the date of issuance at an exercise price of \$0.55 per Common Share.

In Connection with the April 9, 2021 unit offering, the Company paid a finder's fee to Haywood Securities Inc. consisting of a cash payment of \$15,600 and 31,200 non-transferable finder warrants. The fair value assigned to the purchase warrants pursuant to the unit offering was \$5,295. Each finder warrant issued to Haywood Securities Inc. entitles the holder to acquire one Common Share for a period of twenty-four months from the date of issuance at an exercise price of \$0.50 per Common Share.

The fair value of the purchase warrants granted was estimated using the Black-Scholes option pricing model based on the date of grant using the following assumptions:

Annualized volatility	98.21%
Dividend yield	0%
Risk-free interest rate	0.24%
Expected option life	2 years

On July 14, 2021, the Company closed a non-brokered private placement for an aggregate of 1,221,431 of units of the Company at a purchase price of \$0.35 per unit for gross proceeds of \$427,501.20. Each unit sold pursuant to the private placement consisted of one Common Share and one Common Share purchase warrant. The fair value assigned to the purchase warrants pursuant to the unit offering was \$133,101. Each purchase warrant entitles the holder thereof to purchase an additional Common Share for a period of twenty-four months from the date of issuance at an exercise price of \$0.40 per Common Share.

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The fair value of the purchase warrants granted was estimated using the Black-Scholes option pricing model based on the date of grant using the following assumptions:

Annualized volatility	97.51%
Dividend yield	0%
Risk-free interest rate	0.45%
Expected option life	2 years

On October 24, 2021, 375,000 commons share purchase warrants that were issued on October 24, 2019 with an exercise price of \$0.40 per share were exercised. The Company received proceeds of \$150,000 in exchange for 375,000 Common Shares.

On November 12, 2021, the Company closed a non-brokered private placement for an aggregate of 700,000 of units of the Company at a purchase price of \$0.36 per unit for gross proceeds of \$252,000. Each unit sold pursuant to the private placement consisted of one Common Share and one Common Share purchase warrant. The fair value assigned to the purchase warrants pursuant to the unit offering was \$133,277. Each purchase warrant entitles the holder thereof to purchase an additional Common Share for a period of twenty-four months from the date of issuance at an exercise price of \$0.48 per Common Share.

The fair value of the purchase warrants granted was estimated using the Black-Scholes option pricing model based on the date of grant using the following assumptions:

Annualized volatility	93.17%
Dividend yield	0%
Risk-free interest rate	0.98%
Expected option life	2 years

10. Stock options

	Number of options	Weighted Average Exercise Price
Balance at January 1, 2020	4,618,480	\$0.63
Options issued	975,000	\$0.50
Balance, December 31, 2020	5,593,480	\$0.61
Options expired	(1,890,000)	\$0.58
Options exercised	(685,000)	\$0.18
Options issued	3,344,399	\$0.51
Balance, December 31, 2021	6,362,879	\$0.61

At December 31, 2021, the Company had 6,362,879 (2020 - 5,593,480) issued and outstanding stock options. The options are held by officers, directors and consultants of the Company.

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As at December 31, 2021, the Company had stock options outstanding and exercisable as follows:

Exercise Price	Number Outstanding	Number Exercisable	Issue Date	Expiration Date
\$0.85	560,000	560,000	October 13, 2017	October 13, 2022
\$0.98	130,000	130,000	June 6, 2018	June 6, 2023
\$1.00	400,000	400,000	July 24, 2018	July 24, 2023
\$1.10	250,000	250,000	November 1, 2018	November 1, 2023
\$1.00	100,000	100,000	January 3, 2019	January 3, 2024
\$0.80	180,000	180,000	June 18, 2019	June 22, 2022
\$0.33	423,480	423,480	June 18, 2019	June 18, 2024
\$0.50	975,000	975,000	January 6, 2020	January 6, 2025
\$0.52	1,176,399	1,176,399	February 26, 2021	February 26, 2026
\$0.50	2,018,000	2,018,000	November 1, 2021	November 1, 2026
\$0.66	150,000	150,000	December 1, 2021	December 1, 2026
	6,362,879	6,362,879		

As of December 31, 2021, the weighted-average life of the options outstanding was 3.3 years (2020 – 3.1 years)

On January 6, 2020, the Board of Directors of the Company granted 975,000 stock options to certain officers, directors and consultants of the Company. The options were fully vested on the date of issuance. The stock options have an exercise price of \$0.50 per share and are exercisable for a period of five years from the date of grant. The fair value of the options was estimated to be \$0.47 per option.

The fair value of the options granted was estimated using the Black-Scholes option pricing model based on the date of grant using the following assumptions:

Annualized volatility	86%
Dividend yield	0%
Risk-free interest rate	1.58%
Expected option life	5 years

On February 26, 2021, the Company granted 1,176,399 stock options to purchase Common Shares of the Company to certain directors, officers and consultants of the Company. The options vest on the date of issuance and are exercisable for a period of five year from the date of grant at an exercise price of \$0.52 per share. The fair value of the options was \$0.41.

The fair value of the options granted was estimated using the Black-Scholes option pricing model based on the date of grant using the following assumptions:

Annualized volatility	97%
Dividend yield	0%
Risk-free interest rate	0.88%
Expected option life	5 years

On November 1, 2021, the Company granted 2,018,000 stock options to purchase Common Shares of the Company to certain directors, officers and consultants of the Company. The options vest on the date of issuance and are exercisable for a period of five year from the date of grant at an exercise price of \$0.50 per share. The fair value of the options was \$0.35.

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The fair value of the options granted was estimated using the Black-Scholes option pricing model based on the date of grant using the following assumptions:

Annualized volatility	91%
Dividend yield	0%
Risk-free interest rate	1.50%
Expected option life	5 years

On December 1, 2021, the Company granted 150,000 stock options to purchase Common Shares of the Company to certain directors, officers and consultants of the Company. The options vest on the date of issuance and are exercisable for a period of five year from the date of grant at an exercise price of \$0.66 per share. The fair value of the options was \$0.46.

The fair value of the options granted was estimated using the Black-Scholes option pricing model based on the date of grant using the following assumptions:

Annualized volatility	92%
Dividend yield	0%
Risk-free interest rate	1.35%
Expected option life	5 years

The share-based compensation for the year ended December 31, 2021 was \$1,245,283 (2020 - \$456,293).

11. Warrants

	Number of warrants	Weighted Average Exercise Price
Balance at January 1, 2020	7,649,026	\$1.09
Warrant issued (note 9)	1,000,000	\$0.30
Warrants expired	(4,750,000)	\$1.05
Balance, December 31, 2020	3,899,026	\$0.52
Warrant issued (note 9)	3,472,630	\$0.42
Warrants expired	(1,159,312)	\$0.33
Warrants exercised (note 9)	(375,000)	\$0.40
Balance, December 31, 2021	5,837,344	\$0.49

As at December 31, 2021, the Company had the following warrants outstanding:

Exercise price		Number outstanding	Expiration date
\$0.70	(3)	835,714	February 13, 2022
\$1.00	(1)	529,000	December 11, 2022
\$0.30		1,000,000	September 14, 2022
\$0.40		999,999	January 26, 2023
\$0.55		520,000	April 9, 2023
\$0.50	(2)	31,200	April 9, 2023
\$0.40		1,221,431	July 14, 2023
\$0.40		700,000	November 12, 2023
		5,837,344	

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Note (1): If at any time prior to the expiry of the purchase warrants the trading price of the Common Shares exceeds \$1.50 for a certain period of time, the Company may provide notice to the holder of the purchase warrants that the warrants will be subject to early expiry.

Note (2): These warrants were issued to agents as finder's warrants.

Note (3): The expiry date of these warrants was extended from February 13, 2021 to February 13, 2022.

As of December 31, 2021, the weighted-average life of the warrants outstanding was 2.2 years (2020 – 1.9 years)

On August 8, 2020, 4,750,000 warrants with an exercise price of \$1.05 expired without exercise.

On February 2, 2021, the Company received TSXV approval to amend the term of 835,714 Common Share purchase warrants issued to subscribers as part of the Company's private placement financing which closed on February 13, 2019. The expiry date of such Warrants were extended from February 21, 2021 to February 13, 2022. All other terms of the Warrants remain the same. The fair value assigned to the revalued purchase warrants was \$123,849. The warrants were revalued using the Black-Scholes option pricing model based on the date of grant using the following assumptions:

Annualized volatility	106.3%
Dividend yield	0%
Risk-free interest rate	0.19%
Expected option life	1 years

The warrants are not owned by, directly or indirectly, any of the Company's directors, officers or control persons.

On October 24, 2021, 1,125,000 warrants with an exercise price of \$0.40 expired unexercised.

On December 7, 2021, the Company received TSXV approval to amend the term of 529,000 Common Share purchase warrants issued to subscribers as part of the Company's private placement financing which closed on December 11, 2019. The expiry date of such Warrants was extended from December 11, 2021 to December 11, 2022. All other terms of the Warrants remain the same. The fair value assigned to the revalued purchase warrants was \$48,292. The warrants were revalued using the Black-Scholes option pricing model based on the date of grant using the following assumptions:

Annualized volatility	65.27%
Dividend yield	0%
Risk-free interest rate	0.97%
Expected option life	1 years

The warrants are not owned by, directly or indirectly, any of the Company's directors, officers or control persons.

12. Loss per share

The weighted average number of shares outstanding for the year ended December 31, 2021 was 61,808,854 (2020 – 57,986,236). For the years ended December 31, 2021 and 2020, the outstanding options, purchase and finders' warrants were excluded from the diluted loss per share calculation as the instruments were anti-dilutive.

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13. Income tax

The provision for income taxes differs from the expected amount calculated by applying the Company's combined Federal and Provincial corporate tax rates as result of the following:

Reconciliation of effective tax rate	December 31,	
	2021	2020
Loss before income taxes	\$ (2,269,619)	(1,703,126)
Combined federal and provincial statutory tax rate	23%	24%
Expected income tax recovery	(522,012)	(408,750)
Stock-based compensation	286,415	109,510
Other non-deductible expenses	(2,018)	2,498
Change in rate	-	12,364
Change in unrecognized tax asset	237,615	284,378
Income tax recovery	\$ -	-

Deferred tax assets have not been recognized for the following deductible temporary differences:

	December 31,	
	2021	2020
Non-capital losses (Expiring 2028-2041)	\$ 20,157,115	\$ 19,071,844
Decommissioning liability	49,601	49,653
Share issue costs	124,247	143,080
Property and equipment	318,811	351,541
Other	42,047	42,047
Total deferred tax asset (unrecognized)	\$ 20,691,821	\$ 19,658,165

14. Related Party Transactions

In 2014, the Company entered into an agreement with Rick Anderson, Chief Executive Officer and a Director, whereby the Company pays Mr. Anderson for office rental. During the year ended December 31, 2021, the Company recorded \$48,000 as an expense for office rental (2020 - \$48,000).

At December 31, 2021, Mr. Anderson owed the Company \$363,652 (December 31, 2020 - \$257,531). The December 31, 2021 amount represents an advance on operating expenses that will be drawn down as incurred on behalf of Wilton in addition to expenses reimbursed by the Company and repayment.

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15. Key Management Compensation

Key management includes CEO, CFO and Directors.

	2021	2020
Short term compensation	\$430,000	\$487,143
Stock-based compensation	787,234	233,996
Total	\$1,217,234	\$721,139

16. Subsequent events

On January 24, 2022, the Company received TSXV approval to amend the term of 835,714 Common Share purchase warrants issued to subscribers as part of the Company’s private placement financing which closed on February 13, 2019. The expiry date of such Warrants were extended from February 13, 2022 to February 13, 2023. All other terms of the Warrants remain the same.

The warrants are not owned by, directly or indirectly, any of the Company’s directors, officers or control persons.

On March 18, 2022, the shareholders of the Company approved a new equity incentive plan within TSXV Policy 4.4 (the “Incentive Plan”). The Incentive Plan is a “rolling up to 10% and fixed up to 10% plan” which allows for the grant of the following equity-based compensation awards: (i) stock options of the Company; (ii) restricted share units of the Company; (iii) deferred share units of the Company; and (iv) performance share units of the Company.

17. Comparative period amounts

Certain prior period comparative amounts have been reclassified to consistent with the current period presentation as follows:

The Company reclassified balances due from a related party as non-current and presented it separately from accounts receivable on the statement of financial position for improved understandability. For the year ended December 31, 2020, \$257,531 was reclassified as non-current.

In the current year, the Company reclassified certain components of general and administrative expenses and presented them separately for improved understandability. For the year ending December 31, 2020, the following expenses were reclassified from general and administrative expenses:

Professional fees	221,636
Officer and consulting costs	736,647
Office and administrative	219,749
Meals and travel	31,495