RURAL CONNECT LTD.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of Rural Connect Ltd. is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. The responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibility for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of the financial statements.

The Board of Directors of Rural Connect Ltd. is composed entirely of individuals who are neither management nor employees of the Company. The Board of Directors have the responsibility of meeting with management and the external auditors to discuss the internal controls over the financial reporting process, auditing matters, and financial reporting issues. The Board of Directors are also responsible for the appointment of the Company's external auditors.

Metrix Group LLP, an independent firm of Chartered Professional Accountants, is appointed by the Board of Directors to audit the financial statements and report directly to them. The external auditors have full and free access to and meet periodically and separately with the Board and management to discuss their audit findings.

Darren Young
Interim General Manager

Elyse Krause
Vice President, Business Services

Innisfail, Alberta
April 4, 2025

METRIX GROUP LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Rural Connect Ltd.

Opinion

We have audited the financial statements of Rural Connect Ltd. (the Company), which comprise the statement of financial position as at December 31, 2024 and the statement of net income and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024, 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 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 financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Comparative Information

We draw attention to note 2 of the financial statements which describes that Rural Connect Ltd. adopted IFRS on January 1, 2024 with a transition date of January 1, 2023. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at December 31, 2023 and January 1, 2023, and the statements of net income and other comprehensive income, changes in equity and cash flows for the year ended December 31, 2023 and related disclosures. Our opinion is not modified in respect of this matter.

We were not engaged to report on the comparative information, and as such, it is unaudited.

Other Matter

The financial statements for the year ended December 31, 2023 were prepared by management and are unaudited.

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

Management is responsible for the preparation and fair presentation of the 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.

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In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating 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' Responsibility for the Audit of the 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 it 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 judgment 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 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 or 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.

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.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta
April 4, 2025

RURAL CONNECT LTD.
Statement of Financial Position
As at December 31, 2024

	2024 (Dec 31)	2023 (Dec 31) (Unaudited)	2023 (Jan 1) (Unaudited)
ASSETS			
Current			
Cash	**$ 554,064**	$ 7,552	$ -
Trade and other receivables *(Note 5)*	**142,344**	750	-
Prepaid expenses	**20,432**	-	-
	716,840	8,302	-
Non-current			
Intangible assets *(Note 6)*	**21,450**	-	-
Property and equipment *(Note 7)*	**2,835,261**	-	-
	2,856,711	-	-
	$ 3,573,551	$ 8,302	$ -
LIABILITIES			
Current			
Accounts payable and accrued liabilities (*Note 11*)	**1,181,518**	-	-
Working capital facility (*Note 12*)	**2,000,000**	-	-
	3,181,518	-	-
EQUITY			
Share capital *(Note 13)*	**710,960**	-	-
Retained earnings (deficit)	**(318,927)**	8,302	-
	392,033	8,302	-
	$ 3,573,551	$ 8,302	$ -

ON BEHALF OF THE BOARD:

Board Chair

Director

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

RURAL CONNECT LTD.

Statement of Net Income (Loss) and Other Comprehensive Income

For The Year Ended December 31, 2024

	2024	2023 (Unaudited)
REVENUE		
Incident proceeds	**$ 38,340**	$ -
Interest	**23,984**	-
Municipal cost recovery	**16,260**	-
Wholesale	**2,343**	-
Fibre working group	**-**	126,000
	80,927	126,000
EXPENSES		
Salaries, wages and benefits	**208,074**	-
Professional fees	**66,519**	15,000
Incident expenses	**37,350**	-
Board	**26,776**	-
Sub-contracts	**16,707**	102,500
Advertising and promotion	**16,646**	-
Rent	**14,876**	-
Insurance	**4,747**	-
Amortization of intangible assets	**4,290**	-
Travel	**4,156**	-
IT fees	**3,615**	-
Depreciation of property and equipment	**2,596**	-
Office and administration	**719**	-
Training	**599**	-
Interest and bank charges	**486**	198
	408,156	117,698
NET INCOME (LOSS) AND COMPREHENSIVE INCOME	**$ (327,229)**	$ 8,302

RURAL CONNECT LTD.

Statement of Changes in Equity

For The Year Ended December 31, 2024

	Share Capital	Retained Earnings (Deficit)	**Total**
Balance, December 31, 2022	**-**	**-**	**-**
Total comprehensive income	-	8,302	8,302
Balance, December 31, 2023	**$ -**	**$ 8,302**	**$ 8,302**
Issuance of common shares *(Note 13)*	100	-	100
Issurance of preferred shares *(Note 13)*	710,860	-	710,860
Total comprehensive income (loss)	-	(327,229)	(327,229)
Balance, December 31, 2024	**$ 710,960**	**$ (318,927)**	**$ 392,033**

RURAL CONNECT LTD.

Statement of Cash Flows

For The Year Ended December 31, 2024

	2024	2023
OPERATING ACTIVITIES		
Total comprehensive income (loss)	$ (327,229)	$ 8,302
Adjustments for:		
Depreciation and amortization of depreciable assets	6,886	-
Change in trade and other receivables	(141,594)	(750)
Change in prepaid expenses	(20,432)	-
Change in accounts payable and accrued liabilities	1,181,518	-
	699,149	7,552
INVESTING ACTIVITIES		
Purchase of property and equipment	(2,837,857)	-
Purchase of intangible assets	(25,740)	-
	(2,863,597)	-
FINANCING ACTIVITIES		
Proceeds from borrowings	2,000,000	-
Issuance of preferred shares	710,860	-
Issuance of common shares	100	-
	2,710,960	-
NET INCREASE IN CASH	546,512	7,552
CASH, BEGINNING OF YEAR	7,552	-
CASH, END OF YEAR	$ 554,064	$ 7,552

1. NATURE OF OPERATIONS

Rural Connect Ltd. (the "Company") is incorporated under the *Business Corporation Act* of the Province of Alberta. The Company's primary line of business is retailing digital services to businesses and households primarily in central Alberta, specifically in Red Deer County, the Village of Delburne and the County of Paintearth No. 18 (the "Municipalities").

The Company's registered office and principal place of business is:

5815 42 Street
Innisfail, Alberta, T4G 0B1

The common shares of the Company are owned by Red Deer County, the Village of Delburne, the County of Paintearth No. 18 and EQUS REA Ltd.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company's financial statements for the year ended December 31, 2024 are the first annual financial statements to be prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements were prepared as described in Notes 3 and 4. The Company applied IFRS 1 in preparing these annual financial statements.

The date of IFRS adoption by the Company is January 1, 2024 and the end of the reporting period for these financial statements is December 31, 2024. However, the Company's date of transition to IFRS is January 1, 2023, i.e. the beginning of the earliest comparative period.

3. BASIS OF PRESENTATION

a) *Statement of Compliance*

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC).

The financial statements were authorized for issue by the Board of Directors on April 4, 2025.

b) *Basis of Measurement*

The financial statements have been prepared using the historical cost basis. The significant accounting policies are set out in Note 4.

c) *Functional Currency*

The financial statements are presented in Canadian dollars, which is the Company's functional currency.

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3. BASIS OF PRESENTATION (CONTINUED)

d) Use of judgments and estimates

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. These estimates and assumptions have been made using careful judgment; however, uncertainties could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

i. Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in notes:

- Note 4a) - Revenue Recognition

ii. Estimates

The Company reviews its estimates and assumptions on an ongoing basis, uses the most current information available and exercises careful judgment in making these estimates and assumptions. Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

<u>Useful lives</u>

The estimated useful lives, residual values and depreciation method for property and equipment are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The estimated useful lives, residual values and amortization method for intangible assets are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Fair value measurement</u>

Certain accounting measures such as determining asset impairment and recording certain financial and non-financial assets and liabilities, require the Company to estimate an item's fair value. Estimates of fair value may be based on readily determinable market values or on depreciable replacement cost or discounted cash flow techniques employing estimated future cash flows based on a number of assumptions and using an appropriate discount rate

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are summarized below. These accounting policies have been applied consistently to all periods presented in these financial statements.

a) *Revenue Recognition*

Revenue is measured based on the value of the expected consideration in a contract with a customer and excludes sales taxes and other amounts collected on behalf of third parties. Revenue is recognized when control of a product or service is transferred to a customer. When the right to consideration from a customer corresponds directly with the value to the customer of the products and services transferred to date, revenue is recognized in the amount to which the Company has the right to invoice.

Wholesale

Wholesale revenue is recognized from the sale of broadband services upon payment from the customer.

Incident proceeds

Incident proceed revenue is recognized when the related service is provided which includes recovery of third party incidents during construction of property and equipment.

Municipal cost recovery

Municipal cost recovery relates to non-property and equipment expenditures incurred by the Company in Red Deer County, the Village of Delburne and the County of Paintearth No. 18.

Interest revenue

Interest revenue consists of interest earned on the cash account.

b) *Income Taxes*

Under the Income Tax Act, ITA 149 (1) (d.5), a Company is exempt from income taxes when more than 90% of the ownership of said Company is a municipality in Canada. In addition, the income from activities carried on outside of the geographical boundary of the municipality must not exceed 10% of the total income for the period.

The Company is 90% owned by Red Deer County, the Village of Delburne and the County of Paintearth No. 18 and the income from outside the geographical boundaries of those municipalities does not exceed 10% of the total income of the Company. Due to the above listed reasoning the Company is tax exempt for the fiscal year ended December 31, 2024.

Income tax expense was not recorded for the fiscal years ended December 31, 2024 as the Company is considered tax exempt under ITA 149 (1) (d.5).

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Property and Equipment

Property and equipment (P&E) is recorded at cost, net of accumulated depreciation and accumulated impairment loss, if any. Depreciation of property and equipment are calculated at the following annual rates and methods:

Cables and conduits	35 years	Straight-line basis
Radios	3 years	Straight-line basis
Design and engineering	35 years	Straight-line basis

Gains and losses on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in the statement of net income and other comprehensive income within other income.

P&E is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

d) Intangible Assets

Intangible assets with finite lives are stated at cost, net of accumulated amortization and impairment losses, if any.

Intangible assets consist of website development costs and are amortized on a 3 year straight-line basis. Website development costs are initially recorded at cost and subsequently measured at cost less accumulated amortization and any accumulated impairment losses.

The useful lives of the intangible assets are reviewed on an annual basis and the useful life is altered if estimates have changed significantly. Gains or losses on the disposal of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in other income on the statement of net income and other comprehensive income.

e) Financial Instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instruments.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial Instruments (Continued)

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).
Financial assets, other than those designated and effective as hedging instruments, are classified into one of the following categories:

- Amortized cost
- Fair value through profit or loss (FVTPL), or
- Fair value through other comprehensive income (FVOCI).

In the periods presented the Company does not have any financial assets categorised as FVTPL or FVOCI.

The classification is determined by both:

- The entity's business model for managing the financial asset, and
- The contractual cash flow characteristics of the financial asset.

All revenue and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows, and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets held within a different business model other than "hold to collect" or "hold to collect and sell" are categorised at FVTPL. Further, irrespective of the business model used, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial Instruments (Continued)

Subsequent measurement of financial assets (Continued)

Financial assets at fair value through other comprehensive income (FVOCI)

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- They are held under a business model whose objective is “hold to collect” the associated cash flows and sell, and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in OCI will be recycled upon derecognition of the asset.

Impairment of financial assets

Trade and other receivables and contract assets

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to Note for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

<u>Classification and initial measurement of financial liabilities</u>

The Company's financial liabilities include trade payable and other accrued liabilities.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transactions unless the Company designated a financial liability at FVTPL.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains and losses recognized in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Provisions, contingent assets and contingent liabilities

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company is virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

g) Standards and interpretations not yet applied

A number of new standards, amendments to standards and interpretations of standards have been issued by the have been issued by the IASB and the IFRIC, the application of which is effective for periods beginning on or after January 1, 2025 which are not effective for these financial statements. The Company does not expect the implementation of these new accounting pronouncements to have a material impact on its accounting policies.

5. TRADE AND OTHER RECEIVABLES

	2024	2023
Trades receivable	**$ 71,387**	$ 750
Goods and Services Tax recoverable	**70,957**	-
	$ 142,344	$ 750

6. INTANGIBLE ASSETS

	Website Costs	Total
COST:		
Balance at December 31, 2023	$ -	$ -
Additions, separately acquired	25,740	25,740
Balance at December 31, 2024	**25,740**	**25,740**
ACCUMULATED AMORTIZATION:		
Balance at December 31, 2023	-	-
Amortization	4,290	4,290
Balance at December 31, 2024	**4,290**	**4,290**
Net Book Value at December 31, 2024	**$ 21,450**	**$ 21,450**

7. PROPERTY AND EQUIPMENT

	Cables and conduits	Radios	Design and engineering	**Total**
COST:				
Balance at December 31, 2023	$ -	$ -	$ -	$ -
Additions	2,433,090	186,040	218,727	2,837,857
Balance at December 31, 2024	**$ 2,433,090**	**$ 186,040**	**$ 218,727**	**$ 2,837,857**
ACCUMULATED DEPRECIATION:				
Balance at December 31, 2023	-	-	-	-
Depreciation	2,476	-	120	2,596
Balance at December 31, 2024	**$ 2,476**	**$ -**	**$ 120**	**$ 2,596**
Net Book Value at December 31, 2024	**$ 2,430,614**	**$ 186,040**	**$ 218,607**	**$ 2,835,261**

Included in cables and conduits is $2,050,680 (2023 - $NIL) of work in progress for which no depreciation has been recorded.

Included in radios is $186,040 (2023 - $NIL) of work in progress for which no depreciation has been recorded.

Included in design and engineering is $189,667 (2023 - $NIL) of work in progress for which no depreciation has been recorded.

8. FACILITY OVERDRAFT

The Company has access to an operating facility overdraft with the Canadian Imperial Bank of Commerce ("CIBC") which is secured by a general security agreement, an assignment of all material contracts, a certificate of insurance and an unlimited guarantee and a guarantee from EQUS REA Ltd. The authorized limit on the operating facility is $2,500,000 and bears interest at prime (2023 - N/A). At December 31, 2024, the Company had balance drawn of $NIL (2023 - $NIL) outstanding. Prime rate as at December 31, 2024 was 5.45% (2023 - 7.20%).

9. CREDIT CARD FACILITY

The Company has access to a credit card facility overdraft with the Canadian Imperial Bank of Commerce ("CIBC") which is secured by a general security agreement, an assignment of all material contracts, a certificate of insurance and an unlimited guarantee and a guarantee from EQUS REA Ltd. The authorized limit on the operating facility is $50,000 and bears interest at 19.99% per annum on regular purchases and 22.99% per annum on cash advances (2023 - N/A). At December 31, 2024, the Company had balance drawn of $NIL (2023 - $NIL) outstanding.

10. DEVELOPMENT FACILITY BORROWINGS

The Company has access to a development facility with the Canadian Imperial Bank of Commerce ("CIBC") which is secured by a general security agreement, an assignment of all material contracts, a certificate of insurance and an unlimited guarantee and a guarantee from EQUS REA Ltd. The authorized limit on the development facility is $20,000,000 and bears interest at either prime rate or the Canadian Overnight Repo Rate Average ("CORRA") plus 2%, depending on which interest rate the Company selects. (2023 - N/A). At December 31, 2024, the Company had balance drawn of $NIL (2023 - $NIL) outstanding. CORRA as at December 31, 2024 was 3.31% (2023 - 5.06%). Prime rate as at December 31, 2024 was 5.45% (2023 - 7.20%).

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2024	2023
Trade payable	**$ 1,024,977**	$ -
Holdback payable	**156,541**	-
	$ 1,181,518	$ -

12. WORKING CAPITAL FACILITY

The Company borrowed $2,000,000 from EQUS REA Ltd. to assist with cashflow. There are no set repayment terms, and currently no maturity date. The working capital facility bears interest at 5% on the balance owing as at December 31 annually only if there is a franchise fee paid to the three municipality shareholders as part of the Community Commercial Reconciliation Agreement (*Note 18 and Schedule 1*). Per the agreement, once the total interest paid from the Company to EQUS REA Ltd. reaches $300,000 then no additional interest is to be charged. The working capital facility is to be repaid by the maturity date, once the maturity date is agreed upon. Any principal amounts owing subsequent to the maturity date bears interest at prime rate until the working capital facility is fully repaid.

As at December 31, 2024, no franchise fee was paid to the three municipality shareholders, so no interest was charged on the working capital facility balance.

13. SHARES CAPITAL

Authorized:

- Ten thousand (10,000) class "A" common voting shares
- Unlimited class "B" preferred non-voting shares
- Unlimited class "C" preferred non-voting shares

Issued:

	2024	2023
10,000 - Class A common voting shares	**$ 100**	$ -
710,860 - Class B preferred non-voting shares	**710,860**	-
	$ 710,960	$ -

The preferred shares are issued by the Company when municipal contributions are made in the form of one preferred share for each dollar of contributions received from Red Deer County, the Village of Delburne and the County of Paintearth No. 18 ("Municipalities"). Contributions from the Municipalities are in the form of cash transferred to the Company or a transfer of property and equipment assets.

Common shares are based off the preferred shares held by each of the Municipalities as at March 31, 2024. A common share reallocation between the Municipalities to reflect the percentage of preferred shares held by each of the Municipalities will take place on June 30, 2025.

14. RELATED PARTY BALANCES AND TRANSACTIONS

The Company's related parties are the Red Deer County, the Village of Delburne, the County of Paintearth No.18, and EQUS REA Ltd. There are various related party transactions involving those parties and the Company.

County of Paintearth No. 18

	2024	2023
Revenues[1]	**$ 4,665**	$ -

[1] Included within revenues is municipal cost recovery of $4,665 (2023 - $NIL).

The following summarizes the Company's related party balances with the County of Paintearth No. 18:

	2024	2023
Trade receivables	**$ 2,145**	$ -
Property and equipment	**1,005,461**	-
Trade payable	**37,050**	-
Common shares	**10**	-
Preferred shares	**710,860**	-

(continues)

14. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

Red Deer County

		2024		2023
Revenues[2]	**$**	**4,545**	$	-

[2] Included within revenues is municipal cost recovery of $4,545 (2023 - $NIL).

The following summarizes the Company's related party balances with Red Deer County:

		2024		2023
Trade receivables	**$**	**4,545**	$	-
Property and equipment		**1,832,395**		-
Common shares		**65**		-

Village of Delburne

		2024		2023
Revenues[3]	**$**	**7,050**	$	-

[3] Included within revenues is municipal cost recovery of $7,050 (2023 - $NIL).

The following summarizes the Company's related party balances with the Village of Delburne:

		2024		2023
Trade receivables	**$**	**7,403**	$	-
Common shares		**15**		-

EQUS REA Ltd.

		2024		2023
Expenses[4]	**$**	**257,122**	$	15,000
Expenditures allocated to property and equipment[5]		**53,920**		-
Expenditures allocated to intangible assets		**25,740**		-
Goods and Services Tax reimbursements		**2,534**		-
	$	**339,316**	**$**	**15,000**

[4] Included within expenses are salaries, wages and benefits of $208,074 (2023 - $NIL); advertising and promotion of $1,120 (2023 - $NIL); office and administration of $370 (2023 - $NIL); IT fees of $3,031 (2023 - $NIL); board of $26,776 (2023 - $NIL); travel of $4,156 (2023 - $NIL); training of $599 (2023 - $NIL); rent of $14,876 (2023 - $NIL); and professional fees of $NIL (2023 - $15,000).

[5] Expenditures allocated to property and equipment consists of $53,920 of cables and conduits.

(continues)

14. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

The following summarizes the Company's related party balances with EQUS REA Ltd.:

	2024	2023
Trade receivables	**$ 100**	-
Trade payable	**147,463**	-
Working capital facility	**2,000,000**	-
Common shares	**10**	-

Compensation of key management personnel

Key management personnel (KMP) of the Company are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly. The Company's KMP are members of the Board of Directors and the executive management team. The management positions are outsourced to EQUS REA Ltd.

	2024	2023
Director remuneration	**$ 26,351**	$ -

15. FINANCIAL INSTRUMENT CLASSIFICATION AND FAIR VALUE

The carrying amount of the Company's financial instruments by classification is as follows:

	2024 Carrying Value	Amortized Cost	FVTPL	FVTOCI
Non-Derivative Financial Assets				
Cash	$ 554,064	$ 554,064	$ -	$ -
Trade and other receivables	142,344	142,344	-	-
Loan receivable	-	-	-	-
Other financial assets	-	-	-	-
	$ 696,408	$ 696,408	$ -	$ -
Non-Derivative Financial Liabilities				
Accounts payable and accrued liabilities	1,181,518	1,181,518	-	-

	2023 Carrying Value	Amortized Cost	FVTPL	FVTOCI
Non-Derivative Financial Assets				
Cash and cash equivalents	$ 7,552	$ 7,552	$ -	$ -
Trade and other receivables	750	750	-	-
	$ 8,302	$ 8,302	$ -	$ -

16. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it maintains an appropriate current ratio in order to support its operations and maximize shareholder value.

17. RISK MANAGEMENT

The Company is exposed to a number of different financial risks arising from business activities and its use of financial instruments, including market risk, interest rate risk, and liquidity risk. The Company's overall risk management process is designed to identify, assess, measure, manage, mitigate and report on business risk, which includes financial risk.

Credit Risk

Credit risk is the risk of financial loss to the Company because a counter party to a financial instrument fails to discharge its contractual obligations. Credit risk primarily arises from trade and other receivables.

Risk management process
The Company manages its credit risk by performing regular credit assessments of its customers and providing allowances for potentially uncollectible accounts receivable.

Credit-impaired financial assets are identified through regular reviews of past due balances and credit assessments of customers. The Company considers past due information of its balances and information about the customer available through regular commercial dealings.

Measurement of expected credit losses
The Company measures expected credit losses for accounts receivable on a group basis. These assets are grouped on the basis of type of customer, geographic region and business or industry of the customer. Otherwise, expected credit losses are measured on an individual basis.

When measuring lifetime expected credit losses, the Company considers its past credit experience and estimates the timing, probability and magnitude of any cash shortfalls to determine the present value of expected credit losses at the reporting date. Forward-looking information is incorporated into the determination of expected credit loss by considering regional economic journals and forecasts, collecting information available from regular commercial dealings with its customers and other publicly available information and considering the effect such information could have on any assumptions or inputs used in the measurement of expected credit losses, determining significant increases in credit risk or identifying a credit-impaired financial asset.

Write-offs
Financial assets are written off when the customer has filed for bankruptcy and the trustee has indicated that no additional funds will be paid. Where an asset has been written off but is still subject to enforcement activity, the asset remains on a list of delinquent accounts. Where information becomes available indicating the Company will receive funds such amounts are recognized at their fair value.

Interest Rate Risk

Interest rate risk is the risk that future value or future cash flows of the Company's financial instruments will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk primarily through its floating interest rate facility overdraft and development facility borrowings.. Other borrowings are at fixed rates. The Company's investments in guaranteed investment certificates pay fixed interest rates.

(Continues)

17. RISK MANAGEMENT (CONTINUED)

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its obligations to members and other liabilities. The Company manages liquidity risk through regular monitoring of cash requirements by preparing short-term and long-term cash flow forecasts and by matching the maturity profiles of financial assets and financial liabilities to identify financing requirements.

18. COMMUNITY COMMERCIAL RECONCILIATION

In 2024, the Company signed Community Commercial Reconciliation Agreements ("CCRA") with Red Deer County, the Village of Delburne and the County of Paintearth No. 18 ("Municipalities"). The CCRAs are to provide each Municipality with a reconciliation of the annual operating revenue and expenses. The Company will either receive a negative balance payment from the Municipalities as an infrastructure adjustment fee to break even for the fiscal year, or pay a positive balance to the Municipalities as a franchise fee. The reconciliation and allocation of expenses are based off of the share capital holdings by each of the Municipalities. EQUS REA Ltd. shares are not factored into this calculation. County of Paintearth No. 18 has 1,000 (11%) class A common shares; Red Deer County has 6,500 (72%) class A common shares and Village of Delburne has 1,500 (17%) class A common shares, for a total of 9,000 class A common shares for the three municipalities. Revenues and expenses that are attributable to the specific Municipality are allocated entirely to the Municipality and are not included as part of the common expenses.

As at December 31, 2024 all three Municipalities had expenses that exceeded revenue therefore, no franchise fees were required to be paid. The Company waived the infrastructure adjustment fee to each of the three Municipalities so no revenue or receivable related to the infrastructure adjustment fee was recognized or recorded as at December 31, 2024. These balances are detailed on Schedule 1.

RURAL CONNECT LTD. **Schedule 1**

Community Commercial Reconciliation

Year ended December 31, 2024

	Red Deer County	Village of Delburne	County of Paintearth No. 18	Rural Connect Ltd.	**2024**
REVENUE					
Incident proceeds	$ -	$ -	$ 38,340	$ -	**$ 38,340**
Interest	17,322	3,997	2,665	-	**23,984**
Municipal cost recovery	4,545	7,050	4,665	-	**16,260**
Wholesale	2,343	-	-	-	**2,343**
	24,210	11,047	45,670	-	**80,927**
EXPENSES					
Salaries, wages and benefits	150,276	34,679	23,119	-	**208,074**
Professional fees	48,041	11,087	7,391	-	**66,519**
Incident expenses	-	-	37,350	-	**37,350**
Board	19,338	4,463	2,975	-	**26,776**
Sub-contracts	6,077	7,758	2,872	-	**16,707**
Advertising and promotion	12,022	2,774	1,850	-	**16,646**
Rent	10,744	2,479	1,653	-	**14,876**
Insurance	3,429	791	527	-	**4,747**
Amortization of intangible assets	-	-	-	4,290	**4,290**
Travel	3,001	693	462	-	**4,156**
IT fees	2,611	602	402	-	**3,615**
Depreciation of property and equipment	-	-	-	2,596	**2,596**
Office and administration	519	120	80	-	**719**
Training	432	100	67	-	**599**
Interest and bank charges	351	81	54	-	**486**
	256,841	65,627	78,802	6,886	**408,156**
NET INCOME (LOSS) AND COMPREHENSIVE INCOME	$ (232,631)	$ (54,580)	$ (33,132)	$ (6,886)	**$ (327,229)**

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