



VPN TECHNOLOGIES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six Months Ended December 31, 2022

(Unaudited – Prepared by Management)

(EXPRESSED IN CANADIAN DOLLARS)

MANAGEMENT'S RESPONSIBILITY FOR INTERIM FINANCIAL REPORT

The accompanying unaudited condensed consolidated interim financial report of VPN Technologies Inc. (the "Company") has been prepared by and is the responsibility of the Company's management.

VPN TECHNOLOGIES INC.
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)
(Unaudited – Prepared by Management)

	Note	December 31, 2022	June 30, 2022
ASSETS			
Current assets			
Cash		\$ 351,103	\$ 545,881
Receivables	5	13,868	25,255
Prepaid expenses		57,208	41,672
Total assets		\$ 422,179	\$ 612,808
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payables and accrued liabilities	4	\$ 24,950	\$ 54,068
Amounts due to related parties	5	60,077	48,500
Total liabilities		85,027	102,568
Equity			
Share capital	6	4,048,055	4,048,055
Reserves	7	1,189,697	1,257,694
Deficit		(4,900,600)	(4,795,509)
Total equity		337,152	510,240
Total liabilities and equity		\$ 422,179	\$ 612,808

Nature of operations and going concern (Note 1)

The financial statements were authorized for issue by the board of directors on February 28, 2023 and were signed on its behalf by:

“Paul Dickson” Director _____
“Connie Hang” Director

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

VPN TECHNOLOGIES INC.
INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
(Unaudited – Prepared by Management)

	Note	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Six Months Ended December 31, 2022	Six Months Ended December 31, 2021
EXPENSES					
Consulting fees	5	\$ 9,313	\$ 1,832	\$ 15,707	\$ 5,163
Legal fees		1,316	-	(811)	-
Management fees	5	39,000	26,300	78,000	60,800
Media and news dissemination		1,050	-	4,466	9,975
Office and miscellaneous		1,320	540	2,603	2,574
Research and development		26,130	40,005	53,378	53,615
Share-based payments		5,375	-	5,375	-
Transfer agent and regulatory filing fees		14,666	950	19,745	21,346
Loss and comprehensive loss for the period		\$ (98,170)	\$ (69,627)	\$ (178,463)	\$ (153,473)
Basic and diluted loss per common share	6	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)

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

VPN TECHNOLOGIES INC.
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN CANADIAN DOLLARS)
(Unaudited – Prepared by Management)

	Note	Number of Shares	Share capital	Reserves	Deficit	Total equity
Balance, June 30, 2022		35,807,780	\$ 4,048,055	\$ 1,257,694	\$ (4,795,509)	\$ 510,240
Share-based payments		-	-	5,375	-	5,375
Adjustment on cancellation of stock options		-	-	(73,372)	73,372	-
Loss for the period		-	-	-	(178,463)	(178,463)
Balance, December 31, 2022		35,807,780	\$ 4,048,055	\$ 1,189,697	\$ (4,900,600)	\$ 337,152

	Note	Number of Shares	Share capital	Reserves	Deficit	Total equity
Balance, June 30, 2021		35,807,780	\$ 4,048,055	\$ 1,269,563	\$ (4,369,650)	\$ 947,968
Loss for the period		-	-	-	(153,473)	(153,473)
Balance, December 31, 2021		35,807,780	\$ 4,048,055	\$ 1,269,563	\$ (4,523,123)	\$ 794,495

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

VPN TECHNOLOGIES INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
SIX MONTHS ENDED DECEMBER 31
(Unaudited – Prepared by Management)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (178,463)	\$ (153,473)
Items not affecting cash:		
Share-based payments	5,375	-
Changes in non-cash working capital items:		
Receivables	11,387	-
Prepaid expenses	(15,536)	-
Accounts payables and accrued liabilities	(28,368)	(74,404)
Amounts due to related parties	10,827	-
Net cash used in operating activities	(194,778)	(227,877)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in intellectual asset	-	(19,262)
Net cash used in investing activities	-	(19,262)
Change in cash during the period	(194,778)	(247,139)
Cash, beginning of the period	545,881	1,046,417
Cash, end of the period	\$ 351,103	\$ 799,278

There are no significant non-cash transactions during the six month periods ended December 31, 2022 and 2021.

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

VPN TECHNOLOGIES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(EXPRESSED IN CANADIAN DOLLARS)

SIX MONTHS ENDED DECEMBER 31, 2022

(Unaudited – Prepared by Management)

1. NATURE OF OPERATIONS AND GOING CONCERN

VPN Technologies Inc. (the “Company”) was incorporated under the Business Corporations Act (*Ontario*) on September 13, 2010 and was continued under the laws of British Columbia on March 21, 2018. The Company’s head office and registered office is located at Suite 400, 1681 Chestnut Street, Vancouver BC, V6J 4M6, Canada. The Company is a provider of Virtual Private Network (VPN) services to the retail market and small and medium-sized enterprises. The Company also, through its wholly-owned subsidiary, investigates opportunities in both the science for the purpose of commercialization and the development of products and services addressing the growth in a wide range of long-term hydrogen businesses related to global energy policy objectives and targets. The Company’s common shares are listed on the Canadian Securities Exchange (the “CSE”) under the symbol “VPN”, on the OTCQB under the symbol “DVPNF”, and on the Frankfurt Stock Exchange under the symbol “6GQ1”.

Going concern of operations

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has incurred losses since inception in the amount of \$4,900,600 and has not yet achieved profitable operations. The Company’s ability to continue as a going concern is dependent on its ability to obtain adequate financing on reasonable terms from lenders, shareholders and other investors and/or to commence profitable operations in the future. While the Company has been successful in securing financing to date, there can be no assurances that it will be able to do so in the future. The aforementioned factors indicate the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern.

These consolidated financial statements do not include adjustments that would be required if the going concern assumption is not an appropriate basis for preparation of the financial statements. These adjustments could be material.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customer demand, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds at this time. The Company is closely monitoring the impact of the pandemic on all aspects of its business and evaluate its impact on the Company’s liquidity and future prospects.

2. BASIS OF PREPARATION

Statement of compliance

These condensed unaudited interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*.

The condensed interim consolidated financial statements do not include all of the disclosures required for a complete set of annual financial statements and should be read in conjunction with the audited annual financial statements for the year ended June 30, 2022, which have been prepared in accordance with IFRS as issued by the IASB.

2. BASIS OF PREPARATION (cont'd...)

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at fair values. In addition these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Mobilman Management Inc, (“Mobilman”) and Greentech Hydrogen Innovators Corp. (“Greentech”). All inter-company transactions, balances, income and expenses are eliminated on consolidation. The Company’s subsidiary, Mobilman, was dissolved on September 16, 2022.

Functional and presentation currency

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

Significant estimates and assumptions

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates. The Company’s management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. Significant areas requiring the use of management estimates include:

- i) The determination of the fair value of stock options and agent’s warrants using option pricing models, require the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate.
- ii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts.

Significant judgments

The preparation of these consolidated financial statements requires management to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applied in the Company’s financial statements include the assessment of the Company’s ability to continue as a going concern, which involves judgment regarding future funding available for its operations and working capital requirements and whether there are events or conditions that may give rise to significant uncertainty.

VPN TECHNOLOGIES INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
SIX MONTHS ENDED DECEMBER 31, 2022
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3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out in the Company’s audited annual consolidated financial statements for the year ended June 30, 2022 were consistently applied to all the periods presented unless otherwise noted below.

New or revised accounting standards not yet adopted

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company’s consolidated financial statements.

4. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	December 31, 2022	June 30, 2022
Trade payables	\$ 23,170	\$ 34,068
Accrued liabilities	1,780	20,000
	\$ 24,950	\$ 54,068

Trade payables of the Company are principally comprised of amounts outstanding for trade purchases relating to inventory purchases and general operating activities. The usual credit period taken for trade purchases is between 30 to 90 days.

5. RELATED PARTY TRANSACTIONS

Amounts due to related parties consisted of the following:

	December 31, 2022	June 30, 2022
A company controlled by the CEO of the Company	\$ 587	\$ -
A director and Chief Technology Officer (“CTO”)	59,490	48,500
Total	\$ 60,077	\$ 48,500

The amounts due to related parties have no specific terms of repayment, are unsecured, and non-interest bearing.

Included in receivables as of June 30, 2022 is \$16,525 due from directors of the Company.

VPN TECHNOLOGIES INC.
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5. RELATED PARTY TRANSACTIONS (cont'd...)

Key management personnel include directors (executive and non-executive) and officers of the Company. The compensation paid or payable to key management personnel during the six month periods ended December 31 is as follows:

	2022	2021
Management fees	\$ 78,000	\$ 60,800
Consulting fees	15,707	5,163
Research and development	51,000	30,000
Share-based payments	5,342	-
Total	\$ 150,049	\$ 95,963

The Company entered the following transactions relating to key management personnel and entities over which they have control or significant influence during the six months ended December 31, 2022:

- a) Incurred management fees of \$48,000 (2021 - \$40,000) to a company controlled by the CEO of the Company.
- b) Incurred management fees of \$30,000 (2021 - \$nil) to a company controlled by the CFO of the Company.
- c) Incurred consulting fees of \$51,000 (2021 - \$30,000) to the CTO of the Company.
- d) Incurred consulting fees of \$15,707 (2021 - \$5,163) to a company controlled by the Corporate Secretary of the Company.
- e) Incurred management fees of \$nil (2021 - \$20,800) to a company controlled by the former CFO of the Company.

6. SHARE CAPITAL

Authorized share capital

The Company has authorized an unlimited number of common shares with no par value.

Issued share capital

At December 31, 2022, the Company had 35,807,780 common shares outstanding (June 30, 2022 - 35,807,780).

Share issuance

There were no common shares issued during the year ended June 30, 2022 and the six months ended December 31, 2022.

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6. SHARE CAPITAL (cont'd...)

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the six months ended December 31, 2022 was based on the loss attributable to common shareholders of \$178,430 (2021 - \$153,473) and a weighted average number of common shares outstanding of 35,807,780 (2021 - 35,807,780).

At December 31, 2022, 2,075,000 stock options (2021 - 2,700,000) and 26,642,860 warrants (2021 - 26,642,860) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

7. SHARE-BASED PAYMENTS

Stock options

The Company has a rolling stock option plan (the “Plan”) in place under which it is authorized to grant options to executive officers and directors, employees and consultants. Pursuant to the Plan, the Company may issue aggregate stock options totaling up to 10% of the issued and outstanding common stock of the Company. Further, the Plan calls for the exercise price of each option to be equal to the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors at the time of grant.

Stock option transactions are summarized as follows:

	Number of options	Weighted Average Exercise Price
Balance, June 30, 2021	2,700,000	\$ 0.16
Expired	(200,000)	0.10
Balance, June 30, 2022	2,500,000	\$ 0.17
Granted	150,000	0.15
Cancelled	(575,000)	0.14
Balance, December 31, 2022	2,075,000	\$ 0.18
Exercisable at December 31, 2022	2,075,000	\$ 0.18
Weighted average fair value of options granted during the period	\$ 0.04	(2021 - \$nil)

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7. SHARE-BASED PAYMENTS (cont'd...)

Stock options (cont'd...)

The fair value calculated for stock options granted during the six months ended December 31, 2022 was \$5,375 (2021 - \$nil) using the Black-Scholes option pricing model. The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

	2022	2021
Risk-free interest rate	3.78%	-
Expected life of options	2 Years	-
Annualized volatility	219.23%	-
Dividend rate	Nil	-

As at December 31, 2022, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
1,675,000	\$ 0.195	May 14, 2023
150,000	\$ 0.150	December 6, 2024
250,000	\$ 0.075	February 3, 2025
2,075,000		

Warrants

Warrants are issued as private placement incentives and measured using the residual method. Agents' warrants are measured at fair value on the date of the grant as determined using the Black-Scholes Option Pricing Model.

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2021	26,662,860	\$ 0.10
Expired	(20,000)	1.00
Balance, June 30, 2022 and December 31, 2022	26,642,860	\$ 0.10

VPN TECHNOLOGIES INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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(Unaudited – Prepared by Management)

7. SHARE-BASED PAYMENTS (cont'd...)

As at December 31, 2022, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
1,224,000	\$ 0.10	February 22, 2023 (subsequently expired)
25,418,860	\$ 0.10	February 22, 2024
26,642,860	\$ 0.10	February 22, 2023

8. SEGMENTED INFORMATION**Operating segments**

The Company operates in a single reportable segment being the development of application technology in one geographic region being Canada.

9. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue its business goals and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company considers the components of shareholders' equity as capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue additional shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

There were no changes in the Company's approach to capital management during the period. The Company is not subject to any externally imposed capital requirements.

VPN TECHNOLOGIES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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SIX MONTHS ENDED DECEMBER 31, 2022

(Unaudited – Prepared by Management)

10. FINANCIAL INSTRUMENTS

The carrying amount of accounts payable and amounts due to related parties carried at amortized cost is a reasonable approximation of fair value due to the relatively short period to maturity of these financial instruments and/or the rate of interest being charged.

Financial risk management

The Company's financial risks arising from its financial instruments are credit risk, liquidity risk, foreign currency exchange risk, and interest rate risk. The Company's exposures to these risks and the policies on how to mitigate these risks are set out below. Management monitors and manages these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner.

Credit risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is associated with cash. The credit risk with respect to its cash is minimal as they are held with high-credit quality financial institutions. Management does not expect these counterparties to fail to meet their obligations.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its obligations associated with its financial liabilities as they fall due. As at December 31, 2022, the Company has current assets of \$422,179 and current liabilities of \$85,027. The Company's financial liabilities include accrued expenses and trade and other payables and accrued fees due to related parties which have contractual maturities of 30 days or are due on demand.

At present, the Company's operations do not generate positive cash flows. The Company's primary source of funding has been the issuance of equity securities through private placements. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. Liquidity risk is assessed as high.

Foreign currency exchange risk

Foreign currency exchange risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not have any material transactions denominated in foreign currency and is not exposed to material foreign currency risk. The Company does not hedge its foreign exchange risk.

Interest rate risk

The Company is exposed to interest rate risk arising from cash held in Canadian financial institutions. The interest rate risk on cash is not considered significant due to its short-term nature and maturity. The Company has not used any financial instrument to hedge potential fluctuations in interest rates.

VPN TECHNOLOGIES INC.

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SIX MONTHS ENDED DECEMBER 31, 2022

(Unaudited – Prepared by Management)

11. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

As at December 31, 2022, the fair value of cash held by the Company was based on level 1 inputs of the fair value hierarchy.