American Aires Inc.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(EXPRESSED IN CANADIAN DOLLARS)

AGT Partners LLP
Chartered Professional Accountants

Tel: 905-266-0287
Fax: 905-266-1349
info@agtllp.com

7675 Highway 27, unit 23
Woodbridge, ON L4L 4M5
www.agtllp.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **American Aires Inc.**

Opinion

We have audited the accompanying consolidated financial statements of **American Aires Inc.** (the "Company"), which comprise the statements of financial position as at December 31, 2023 and December 31, 2022, and the statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of **American Aires Inc.** as at December 31, 2023 and December 31, 2022 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2023, and, as of that date, the Company had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

For the matter below, our description of how our audit addressed the matter is provided in that context. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Sales and License Agreement

Key Audit Matter

As described in Note 18 to the consolidated financial statements, the Company entered into a partnership agreement with HUCK Project LLC (HUCK) to transfer, with effect from August 29, 2023, the entire revenue and related operating costs to HUCK in return for a royalty and reimbursement of the repayment the Company makes towards its working capital loan. HUCK is a related party as it is owned by the Company's CEO.

How We Addressed The Key Audit Matter

For this transaction we did the following audit procedures, among others:

- Tested royalty and payments due from HUCK;
- Tested transactions in the account with HUCK

- Assessed the adequacy of disclosures related to this transaction;
- Assessed reasonableness of the Company's basis for accounting for the transaction.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis and any other statutory or other reports which may include financial information.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audits of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audits 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

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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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audits resulting in this independent auditor's report is Umair Tasadduq.

AGT Partners LLP

Woodbridge, Canada **LICENSED PUBLIC ACCOUNTANTS**
April 11, 2024

AMERICAN AIRES INC.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at December 31			2023		2022
ASSETS					
Current assets					
Cash and cash equivalents		**$**	**29,366**	$	196,103
Prepaid and sundry receivable	(Note 21)		**53,014**		410,000
Inventory	(Note 18)		**-**		509,825
			82,380		1,115,927
Non-current assets					
Furniture and equipment	(Note 6)		**10,793**		20,608
Intellectual property	(Note 5)		**256,285**		384,428
			267,078		405,036
Total assets		**$**	**349,458**	$	1,520,963
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	(Notes 17, 18, 23)	**$**	**2,097,619**	$	1,896,033
Deferred revenue			**-**		220,775
Provision for sales returns			**-**		20,502
Working capital loan payable	(Note 8)		**156,263**		480,170
E-commerce platform loan payable	(Note 9)		**-**		174,710
Grid promissory note payable	(Note 11)		**131,031**		-
			2,384,913		2,792,190
Non-current liabilities					
Government loan payable	(Note 7)		**60,000**		60,000
Promissory note payable	(Note 10)		**-**		553,753
Grid promissory note payable	(Note 11)		**-**		513,309
			60,000		1,127,062
Total Liabilities			**2,444,913**		3,919,252
Shareholders' equity					
Share capital	(Note 14)		**19,743,717**		16,048,006
Contributed surplus			**7,526,258**		6,136,624
Accumulated other comprehensive loss			**(210,047)**		(174,053)
Deficit			**(29,155,383)**		(24,408,865)
Total shareholders' equity			**(2,095,455)**		(2,398,288)
Total liabilities and shareholders' equity		**$**	**349,458**	$	1,520,964

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 24)

Approved on behalf of the Board of Directors:

"Dimitry Serov"
Director

"Drew Green"
Director

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

AMERICAN AIRES INC.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

For the year ended December 31			2023		2022
Revenue					
Sales	(Note 19)	$	**5,499,689**	$	5,822,140
Cost of sales	(Note 22)		**(2,228,270)**		(2,286,410)
Gross margin			**3,271,419**		3,535,730
Other income					
Cash royalty	(Note 18)		**283,427**		-
Credit reimbursement income	(Note 18)		**197,183**		-
			480,610		-
Expenses					
Advertising and promotion			**2,210,866**		2,443,604
Marketing	(Note 17)		**1,307,692**		1,970,265
Consulting fees	(Note 17)		**1,642,908**		806,757
Interest charges	(Notes 9 to 13)		**616,809**		502,089
Equity-based finance charge	(Notes 10,13)		**953,444**		353,000
Office and general			**379,400**		329,180
Professional fees			**392,190**		283,864
Rent expense			**6,091**		16,420
Research and development			-		5,500
Salaries and benefits	(Note 17)		**288,379**		443,155
Travel expense			**8,067**		12,718
Stock-based compensation	(Notes 14, 16)		**554,744**		139,667
Depreciation	(Notes 5, 6)		**137,958**		138,359
			8,498,548		7,444,578
Net loss for the year			**(4,746,519)**		(3,908,848)
Other comprehensive loss					
Foreign exchange			**(35,994)**		(174,053)
Net loss and comprehensive loss for the year		$	**(4,782,513)**	$	(4,082,901)
Basic and diluted net loss per share	(Note 20)		**(0.18)**		(0.25)
Weighted average number of common shares outstanding, basic and diluted	(Note 20)		**26,464,003**		15,787,908

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

AMERICAN AIRES INC.

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

		Number of Shares	Share Capital Amount	Contributed Surplus	Deficit	OCI/(L) (Note A)	Total
Balance, December 31, 2021		**15,436,523**	**$ 15,791,739**	**$ 5,556,624**	**$ (20,500,016)**	**$ -**	**$ 848,347**
Private placement, net of costs	(Note 14)	305,000	258,600	-	-	-	258,600
Issuance of warrants	(Note 15)	-	(180,000)	180,000	-	-	-
Issuance of finders warrants	(Note 15)	-	(14,000)	14,000	-	-	-
Stock-based compensation	(Note 14, 16)	49,123	46,667	93,000	-	-	139,667
Exercise of options	(Note 16)	85,000	145,000	(60,000)	-	-	85,000
Issuance of warrants in connection to debt	(Note 10)	-	-	353,000	-	-	353,000
Net loss for the year		-	-	-	(3,908,848)	-	(3,908,848)
Other comprehensive gain for the year		-	-	-	-	(174,053)	(174,053)
Balance, December 31, 2022		**15,875,646**	**$ 16,048,006**	**$ 6,136,624**	**$ (24,408,864)**	**$ (174,053)**	**$ (2,398,288)**
Private placement, net of costs	(Note 14)	784,400	369,124	-	-		369,124
Conversion of debt to equity	(Note 13, 14)	26,637,606	2,397,385	-	-	-	2,397,385
Issuance of warrants	(Note 15)	-	(289,723)	289,723	-	-	-
Issuance of finders warrants	(Note 15)	-	(16,973)	16,973	-	-	-
Issuance of warrants in connection to debt	(Note 13)	-	-	953,444	-	-	953,444
Stock-based compensation	(Notes 14, 16)	4,050,000	425,250	129,494	-	-	554,744
Shares issued in settlement of debt	(Note 14)	12,009,600	810,648				810,648
Net loss for the year		-	-	-	(4,746,519)	-	(4,746,519)
Other comprehensive loss for the year		-	-	-	-	(35,994)	(35,994)
Balance, December 31, 2023		**59,357,252**	**19,743,717**	**7,526,258**	**(29,155,383)**	**(210,047)**	**(2,095,455)**

Note A: OCI/(L) = Other Comprehensive Income/(Loss)

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

AMERICAN AIRES INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

For the Year Ended December 31		2023	2022
Operating activities			
Net loss and comprehensive loss for the period		**$ (4,782,513)**	$ (4,082,902)
Depreciation		**137,958**	138,359
Stock-based compensation		**554,744**	139,667
Equity-based finance charges		**953,444**	353,000
Consulting fees settled through issuance of shares		**782,057**	-
Interest expense		**616,809**	502,089
Non-cash working capital items:			
Accounts receivable		-	615
Prepaid and sundry receivable		**356,986**	647,598
Inventory		**509,825**	(100,543)
Deferred revenue		**(220,775)**	213,947
Accounts payable and accrued liabilities		**291,431**	2,218,013
Provision for sales returns		**(20,502)**	20,502
		(820,536)	50,345
Investing activities			
Acquisition of furniture and equipment		-	(20,448)
Proceeds on disposition of assets		-	1,128
		-	(19,320)
Financing activities			
Proceeds from issuance of shares	(Note 14)	**369,124**	343,600
Proceeds from promissory note	(Note 10)	-	500,000
Proceeds from grid promissory note	(Note 11)	-	500,000
Proceeds from e-commerce platform loan	(Note 9)	**1,065,000**	792,500
Proceeds from other loan	(Note 12)	**150,000**	-
Proceeds from convertible debenture	(Note 13)	**1,011,400**	-
Repayments on marketing loan payable		-	(649,534)
Repayments on working capital loan payable	(Note 8)	**(321,770)**	(595,413)
Repayments on grid promissory note	(Note 11)	**(184,000)**	(117,720)
Repayments on e-commerce platform loan	(Note 9)	**(1,239,710)**	(617,790)
Interest paid		**(196,245)**	(266,261)
		653,799	(110,618)
Net change in cash		**(166,737)**	(79,593)
Cash, beginning of the year		**196,103**	275,696
Cash, end of the year		**$ 29,366**	$ 196,103

Supplemental Disclosure of Non-Cash Transactions	2023	2022
Accounts payable and accrued liabilities settled through loan payable	$ -	$ 971,027
Accounts payable and accrued liabilities settled through issuance of shares	28,591	-
Accrued interest settled through issuance of shares	61,253	-
Conversion of promissory note into convertible debenture	578,575	-
Conversion of grid promissory note into convertible debenture	559,294	-
Conversion of other loan payable into convertible debenture	156,263	-
Conversion of convertible debenture into equity	2,397,385	-

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

1. Nature of Operations and Going Concern

American Aires Inc. (the "Company") was incorporated on May 15, 2012 and organized under the laws of Ontario, Canada. The registered office of the Company is located at 400 Applewood Crescent, Unit 100, Vaughan, Ontario, L4K 0C3. The Company is engaged in the business of production, distribution and sales of electromagnetic protection devices. On August 28, 2023, the Company entered into a partnership agreement ("Partnership Agreement") with HUCK Project LLC ("HUCK"), whereby HUCK became the Company's non-exclusive global retail-only distribution partner. With HUCK committing its resources to retail operations, the Company shifted focus to new product development and larger and more lucrative original equipment manufacturer ("OEM") deals.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. The Company has a deficit of $29,155,383 as of December 31, 2023 (2022 - $24,408,865) and incurred a loss of $4,746,519 for the year ended December 31, 2023 (2022 - $3,908,848). The Company had a working capital deficiency of $2,302,533 as at December 31, 2023 (2022 – deficiency $1,676,263).

Management has taken steps to improve the Company's financial position, including the implementation of cost-cutting measures, capital-raising efforts, and the exploration of strategic alternatives.

The Company's ability to continue as a going concern is dependent on its ability to generate sufficient cash flows from operations to meet its obligations, obtain additional financing, and ultimately achieve profitable operations. There can be no assurance that the Company will be successful in these efforts. If the Company is unable to generate sufficient cash flows from operations, obtain additional financing or achieve profitable operations, it may be required to curtail or cease operations, which could have a material adverse effect on the Company's financial position, results of operations, and cash flows.

The above factors indicate the existence of material uncertainties that may cast significant doubt on the ability of the Company to continue as a going concern.

The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. If management is unsuccessful in securing financing and or capital, the Company's assets may not be realized or its liabilities get discharged at their carrying amounts and these differences could be material. Management believes the Company will be able to continue in operation for the foreseeable future and secure additional financing to satisfy its liabilities and commitments in the normal course of business. Accordingly, it is appropriate to prepare these financial statements on a going concern basis.

2. Material Accounting Policies

Basis of Preparation

These consolidated financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the Chartered Professional Accountants of Canada (CPA) Handbook, as issued and effective for the year ended December 31, 2023.

These consolidated financial statements were approved by the Board of Directors on April 11, 2024.

Basis of Measurement

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

Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency whereas its functional currency is the US dollar. Due to the global nature of the Company's operations, the use of US dollars as functional currency is more efficient and appropriate. Accordingly, the Company's consolidated financial statements have been translated into its presentation currency according to IAS 21 on the following basis:

(a) assets and liabilities are translated to Canadian dollars at the closing rate at the date of the consolidated statement of financial position;

(b) income and expenses are translated at exchange rates at the dates of the transactions;

(c) all resulting exchange differences are recognised in other comprehensive income or loss.

The Company presents its consolidated financial statements in Canadian currency because its shares are listed on a Canadian stock exchange and its shareholders and sources of financing are largely Canadian based.

Basis of Consolidation

These consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiary, American Aires USA Inc. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Financial Instruments

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

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

Financial assets other than cash and cash equivalents are all classified and measured at amortized cost. Cash and cash equivalents are measured at fair value. All financial liabilities are classified and measured at amortized cost.

Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of financial position is comprised of cash at banks as well as money market instruments. The Company's cash and cash equivalents are maintained with major financial institutions. All funds are available on demand.

Inventory

Inventory consists of finished goods. The Company values inventory at the lower of cost and net realizable value. The inventory value is determined using the first-in-first-out method. Obsolete inventories are written down to their estimated net realizable value. There has been no impairment of inventory during the years ended December 31, 2023 and 2022.

Provisions

A provision is 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 benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. The Company has recorded a provision for sales returns of $nil as at December 31, 2023 (2022 - $20,502). In addition, the Company has recorded a provision for sales tax payable of $581,859 as December 31, 2023 (2022 - $301,747).

Income Taxes

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to taxes with regards to previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset for losses is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance.

Furniture and Equipment

Furniture and equipment are recorded at cost less accumulated depreciation. Depreciation is provided over the estimated useful life of the furniture and computer equipment using the declining balance method at rates of 20% and 50%, respectively

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issuance of common shares are recognized as a deduction from equity.

Equity Instruments Issued with Warrants

The Company uses the residual method with respect to the measurement of common shares units that include warrants. The fair value of warrants is determined using the Black-Scholes option pricing model and the difference between the proceeds raised and the value assigned to the warrants is the residual fair value of the shares.

The value attributed to the warrants issued is credited to contributed surplus. If and when the warrants are exercised, the applicable amounts are credited to share capital along with the consideration received on the exercise of the warrants. For those warrants that are not exercised and expire the recorded value remains indefinitely in contributed surplus.

Warrants issued on a stand-alone basis are treated and valued as share-based payments and charged to expense.

Share-based Payments

Options granted to employees and others providing similar services to acquire the Company's shares are measured at fair value at the grant date using the Black-Scholes option pricing model. The fair value is recognized over the period in which options vest.

Share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Upon exercise of the options, consideration paid by the option holder together with the fair value amount previously recognized in contributed surplus are recorded as increases to share capital. For those options that expire after vesting, the recorded fair value remains indefinitely in contributed surplus.

Intellectual Property

Intellectual property is recorded at cost less amortization. Amortization is recorded on a straight-line basis over a period of nine years.

Loss Per Share

The Company presents basic loss per share data for its common shares outstanding, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the denominator to include the weighted average number of common shares outstanding plus the assumed conversion of all dilutive securities under the treasury stock method.

Revenue Recognition

The Company's revenue is substantially derived from the sale of electromagnetic protection devices. Revenue is recognized when the product is received by the customer and there is a reasonable expectation of collection. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps:

1. Identify the contract with a customer

2. Identify the performance obligations in the contract

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations in the contract

5. Recognize revenue when (or as) the entity satisfies a performance obligation

Revenues generated from the sale of electromagnetic protection devices are recognized at the transaction price, which is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods to a customer, inclusive of discounts and rebates offered.

The Company derives income from royalties calculated as a percentage of net product sales made by its affiliates. Royalty income is recognized on an accrual basis as sales occur, net of any applicable taxes and estimated allowances for returns, rebates, and other adjustments. Management continually assesses this policy to ensure compliance with IFRS and consistency with business practices.

Deferred Revenue

Deferred revenue relates to sales for which payment has been received but for which the corresponding product has not been delivered to the customer as at year end.

Impairment

<u>Non-financial assets</u>

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment.

Critical Accounting Estimates and Judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant assumptions management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions, relate to, but are not limited to, the following:

Income Taxes and Recovery of Deferred Tax Assets

The measurement of income taxes payable and deferred income tax assets and liabilities requires judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of tax returns by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements. Deferred tax assets require management to assess the likelihood that the Company will generate taxable income in future periods in order to utilize recognized deferred tax assets. As at December 31, 2023 and 2022 no deferred tax assets were recognized, as it is uncertain when sufficient taxable income will be available to realize the deferred tax assets.

Fair Value of Options and Warrants

Estimating fair value for granted stock options and warrants issued requires using of a valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option or warrant, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

Sales Refunds

The Company maintains a provision for sales refunds based on historical sales experience.

Sales Taxes

The Company operates globally and uses its best efforts to comply with sales tax regimes of the many countries which its products are sold. Because of different laws and regulations estimates of sales taxes payable are made which may differ materially from the actual requirement upon filing.

Going Concern

Significant judgments are used in the Company's assessment of its ability to continue as a going concern.

Useful Life of Property and Equipment and Intellectual Property

Depreciation of property and equipment and intellectual property with finite lives are dependent upon estimates of useful lives which are determined through the exercise of judgment.

Accounting Pronouncements Adopted During the Year

In January 2020, the International Accounting Standards Board (IASB) issued amendments to IAS 1 which were incorporated into Part I of the CPA Canada Handbook in April 2020. The amendments clarify the requirements for classifying liabilities as either current or non-current by specifying the conditions which exist at the end of the reporting period that determine if a right to defer settlement of a liability exists. The amendments apply on or after January 1, 2023. The Company adopted the amendments on January 1, 2023 and there was no impact on the consolidated financial statements upon adoption of this policy.

In February 2021, the IASB issued amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 "Making Materiality Judgments" which were incorporated into Part I of the CPA Canada Handbook in September 2021. The amendments help entities provide accounting policy disclosures that are more useful to primary users of financial statements by replacing the requirement to disclose "significant" accounting policies under IAS 1 with a requirement to disclose "material" accounting policies. Under this, an accounting policy would be material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that primary users of general-purpose financial statements make on the basis of those financial statements. The amendments apply on or after January 1, 2023. The Company adopted the amendments on January 1, 2023 and there was no impact on the consolidated financial statements upon adoption of this policy.

In May 2021, the IASB issued amendments to the recognition exemptions under IAS 12 Income Taxes which were incorporated into Part I of the CPA Canada Handbook in September 2021.The amendments require an entity to recognize deferred tax on initial recognition of particular transactions, to the extent that transaction gives rise to equal taxable and deductible temporary differences. These amendments apply to transactions for which an entity recognizes both an asset and liability, for example leases and decommissioning liabilities. The amendments are effective on or after January 1, 2023. The Company adopted the amendments on January 1, 2023 and there was no impact on the consolidated financial statements upon adoption of this policy.

3. Capital Management

The Company manages its capital with the following objectives:

(a) to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities; and (b) to maximize shareholder return through enhancing share value

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, contributed surplus, accumulated other comprehensive loss and deficit, which at December 31, 2023 was negative $2,095,455 (2022 – negative $2,398,288). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its operations. Information is provided to the Board of Directors of the Company. The Company is not subject to externally imposed capital requirements. The Company's capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2023 and 2022.

4. Financial Instruments and Risk Management

Fair Values

The carrying value of all of the Company’s financial instruments (assets and liabilities) approximate their fair values due to the short-term maturity of these financial instruments. The Company’s activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate risk). Risk management is carried out by the Company’s management team with guidance from the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit Risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfil its payment obligations. The Company’s credit risk is primarily attributable to cash and cash equivalents and prepaid and sundry receivables. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents are in accounts at reputable financial institutions, from which the risk of loss is remote. The Company’s customer base is well diversified with no reliance on any one client. Sundry receivables consist primarily of advances to the Company’s manufacturer of its electromagnetic protection devices. The Company has a long relationship with the supplier and assesses the risk of loss as low.

Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they become due or can only do so at excessive cost. The Company’s liquidity and operating results may be adversely affected if the Company’s access to capital markets is hindered, whether due to the general state of the economy or conditions specific to the Company. As at December 31, 2022, the Company had cash and cash equivalents of $29,366 (2022 - $196,103) to settle current liabilities of $2,384,913 (2021 - $2,792,190). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. As the Company does not yet generate profits, managing liquidity risk is dependent upon the ability to secure additional financing, controlling expenses, and preserving cash. The following table shows the remaining contractual maturities of financial liabilities as at December 31, 2023 and 2022. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(Expressed in Canadian Dollars)

December 31, 2023		Carrying amount		Contractual cash flows		Current		Long term
Accounts payable & accrued liabilities	$	2,097,619	$	2,097,619	$	2,097,619	$	-
Government loan		60,000		66,000		-		66,000
Current loans		287,294		308,627		308,627		-

December 31, 2022		Carrying amount		Contractual cash flows		Current		Long term
Accounts payable & accrued liabilities	$	1,896,033	$	1,896,033	$	1,896,033	$	-
Government loan		60,000		66,000		-		66,000
Current loans		654,880		672,180		672,180		-
Long-term loans		1,067,062		1,637,644		359,738		1,277,906

Market Risks

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(i) Interest Rate Risk

The Company's borrowings are at fixed rates of interest. Although it is not exposed to interest rate risk on its current borrowings, because of its heavy reliance on borrowing there is a risk that future costs of borrowing will increase if interest rates rise further.

(ii) Foreign Exchange Risk

The Company's functional currency is the United States Dollar and it transacts all its sales and major purchases primarily in that currency. To fund its operations, the Company maintains United States and Canadian dollar denominated bank accounts. Management does not hedge its foreign exchange risk. As at December 31, 2023, a 5% fluctuation in the foreign exchange rate would have an impact of approximately $49,944 (December 31, 2022 - $43,837) in the Company's consolidated statements of loss and comprehensive loss.

5. Intellectual Property

Balance, December 31, 2021	**$**	**512,571**
Depreciation		(128,143)
Balance, December 31, 2022	**$**	**384,428**
Depreciation		(128,143)
Balance, December 31, 2023	**$**	**256,285**

6. Furniture and Equipment

Cost		Furniture and Fixtures		Computer Equipment		Total
Balance, December 31, 2021		-		16,197		16,197
Additions		1,812		18,636		20,448
Dispositions		-		(1,770)		(1,770)
Balance, December 31, 2022		**1,812**		**33,063**		**34,875**
Additions		-		-		-
Dispositions		-		-		-
Balance, December 31, 2023	**$**	**1,812**	**$**	**33,063**	**$**	**34,875**

Accumulated Depreciation		Furniture and Fixtures		Computer Equipment		Total
Balance, December 31, 2021		-		4,693		4,693
Depreciation		181		10,035		10,216
Dispositions		-		(642)		(642)
Balance, December 31, 2022		**181**		**14,086**		**14,267**
Depreciation		326		9,489		9,815
Dispositions		-		-		-
Balance, December 31, 2023	**$**	**507**	**$**	**23,575**	**$**	**24,082**

Carrying Value		Furniture and Fixtures		Computer Equipment		Total
At December 31, 2022	$	1,630	$	18,977	$	20,608
At December 31, 2023	**$**	**1,304**	**$**	**9,489**	**$**	**10,793**

(Expressed in Canadian Dollars)

During the year ended December 31, 2022, the Company disposed of a computer with a carrying value of $1,128 for gross proceeds of $1,770, resulting in a gain on disposition of assets totaling $642 recognized in the consolidated statements of loss and comprehensive loss.

7. Government Loan

As a response to COVID-19, the Canadian Federal government introduced the CEBA for businesses that met various eligibility requirements. The purpose of the CEBA loan was to support businesses and employers to meet their non-deferrable expenses. The loan is interest free until December 31, 2023 and there is a forgivable portion of $20,000 if repaid on or before December 31, 2023 after which the unpaid balance is subject to interest of 5% per annum and the loan is due on December 31, 2025. The Company has not recognized any forgiveness revenue in the consolidated statement of loss and comprehensive loss in connection with this loan, as it has determined the full amount of the loan will be repayable.

8. Working Capital Loan Payable

During the years ended December 31, 2022 and 2021, the Company entered into a series of working capital loan facility agreements whereby the lender paid select invoices on the Company's behalf, with the ensuing debt repayable after a period of up to 120 days, in 30-day increments with interest at 1% for each 30-day period. During the year ended December 31, 2023, no new advances were taken. Part way through the year in 2022 the lender ceased charging interest on the amounts lent. In 2023, the Company made repayments of the previous principal totaling $321,770. Invoices paid by the lender on behalf of the Company have been included within changes in accounts payable and accrued liabilities in the consolidated statements of cash flows. In 2023, the Company recognized interest expense totaling $nil in the consolidated statements of loss and comprehensive loss.

Balance, December 31, 2021	**$**	**553,510**
Debt Issued		471,027
Repayments		(625,764)
Interest		30,351
Foreign Exchange		51,046
Balance, December 31, 2022	**$**	**480,170**
Repayments		(321,770)
Foreign Exchange		(2,137)
Balance, December 31, 2023	**$**	**156,263**

9. E-commerce platform loan payable

During the years ended December 31, 2023 and 2022, the Company received a series of working capital advances from its e-commerce service provider. Repayments are made daily based on a percentage (varies between 8% and 17% depending on the advance) of the Company's daily sales until such time that the advances are repaid in full. The financing charge related to the paid portion of the loan has been recorded as interest expense in the consolidated statements of loss and comprehensive loss for the years ended December 31, 2023 and 2022. The annualized interest rate on these advances is upwards of 27% although an exact rate cannot be determined because the period over which the loan must be repaid is not specified. The following is a continuity schedule of the e-commerce platform loan payable:

Balance, December 31, 2021	**$**	-
Advances		792,500
Repayments		(679,709)
Interest		61,919
Balance, December 31, 2022	**$**	**174,710**
Advances		1,065,000
Finance charge		127,573
Repayments		(1,367,283)
Balance, December 31, 2023	**$**	-

(Expressed in Canadian Dollars)

10. Promissory note payable

On February 7, 2022, the Company entered into a loan agreement with a related party (Note 17) whereby the lender advanced $500,000 via a promissory note. The maturity date of the loan was May 7, 2024. The rate of interest is 12% per annum. The loan was secured by a general security interest over the assets of the Company. During the year ended December 31, 2022, the Company incurred interest expense of $53,753 (unpaid as at December 31, 2022) and a financing fee of $20,000 (deducted from initial disbursement) and both have been recorded as interest expense in the consolidated statements of loss and comprehensive loss. The unpaid interest was added to the principal amount of the loan.

In connection with this loan, the Company issued the lender share purchase warrants to purchase up to 5,000,000 (pre-consolidation) common shares of the Company exercisable at $0.10 per share for a period of three years from the date of issue. A fair value of $353,000 was assigned to the warrants issued, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of $0.095, expected volatility of 130%, a risk-free rate of return of 1.43% and an expected life of 3 years. The fair value of warrants issued was accounted for as an equity-based finance charge (as it was not related to raising capital) and expensed in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2022.

During the year ended December 31, 2023, the Company accrued interest expense of $24,822 and it has been recorded as interest expense in the consolidated statements of loss and comprehensive loss. On June 9, 2023, the promissory note payable was converted into a convertible debenture (Note 13) based on the outstanding balance as of May 31, 2023. The balance converted was $578,575 which includes the entire $500,000 principal balance and $78,575 cumulative accrued interest. The following is a continuity schedule of the promissory note payable:

Balance, December 31, 2021	**$**	-
Advances		500,000
Interest		53,753
Balance, December 31, 2022	**$**	**553,753**
Interest		24,822
Conversion into convertible debenture		(578,575)
Balance, December 31, 2023	**$**	-

11. Grid promissory note payable

The Company issued a grid promissory note dated May 26, 2022, amended on August 12, 2022 and December 7, 2022, with an arm's length lender for advances up to $500,000 (in $100,000 increments as needed). The loan matures on February 28, 2024 and bears interest at a rate of 8% per annum. In addition, the Company has agreed to pay a monthly royalty of 3.5% of net sales for every $100,000 loaned, subject to a maximum monthly royalty of $10,000 per $100,000. The royalty will exist until the loan is repaid in full. During the year ended December 31, 2023, the Company incurred interest expense of $22,016 and royalty expense of $339,000 and both have been recorded as interest expense in the consolidated statements of loss and comprehensive loss.

On June 9, 2023, $559,294 of the grid promissory note payable was converted into a convertible debenture (Note 13) based on the outstanding balance as of May 31, 2023. The remaining balance as at December 31, 2023 consists of the principal balance of $100,000 and the accrued combined interest and royalty expense of $31,031.

The unpaid cumulative interest and royalty of $31,031 have been added to the principal amount of the loan. The loan has been classified as a current liability due to its maturity within 12 months of December 31, 2023 (December 31, 2022 – $513,309 non-current liability).The following is a continuity schedule of the promissory note payable:

(Expressed in Canadian Dollars)

Balance, December 31, 2021	**$**	-
Advances		500,000
Repayments		(209,407)
Royalty		210,000
Interest		12,716
Balance, December 31, 2022	**$**	**513,309**
Repayments		(184,000)
Royalty		339,000
Interest		22,016
Conversion into convertible debenture		(559,294)
Balance, December 31, 2023	**$**	**131,031**

12. Loan Payable

On January 24, 2023, the Company entered into a loan agreement with a related party (Note 17) whereby the lender agreed to advance $150,000 to the Company. The rate of interest is 12% per annum and the loan is due on July 24, 2024 unless further extended by the lender for an additional three months. The CEO of the lending party is also an officer of the Company. During the nine months ended September 30, 2023, the Company incurred interest expense of $6,263 which has been recorded as interest expense in the consolidated statements of loss and comprehensive loss.

On June 9, 2023, the loan payable was converted into a convertible debenture (Note 13) based on the outstanding balance as of May 31, 2023. The balance converted was $156,263 which includes the entire $150,000 principal balance and $6,263 cumulative accrued interest. The following is a continuity schedule of the loan payable:

Balance, December 31, 2022	**$**	-
Advance		150,000
Interest		6,263
Conversion into convertible debenture		(156,263)
Balance, December 31, 2023	**$**	-

13. Convertible Debenture

On June 9, 2023, the Company issued convertible debentures (“debentures”) in the amount of $1,293,000 (“original tranche”) to existing debt holders in exchange for amounts owed under promissory note, grid promissory note and loan payable (Notes 11, 12 and 13). The convertible debentures bear interest at a rate of 12% per annum, payable semi-annually in arrears on the last day of June and December in each year, with the first interest payment payable on June 30, 2023 and mature on June 30, 2025. The debentures are convertible into common shares of the Company at the market price of the common shares at the time of conversion, determined by the most recent closing price on the day of conversion, at the option of the holders at any time prior to maturity.

The convertible debentures were issued in units and each unit comprises $1,000 of principal and 20,000 common share purchase warrants (2,000 post-consolidation – Note 15). Each warrant shall entitle the holder thereof to acquire one common share at an exercise price of $0.05 ($0.50 post-consolidation) until June 30, 2025. In addition, the debentures are secured by all of the assets of the Company.

The total converted amount of $1,293,000 equated to 1,293 debenture units of which 734 units were issued to related parties (lenders of the previously held promissory note payable and loan payable) and 559 units were issued to the arm’s length lender (grid promissory note).

On June 15, 2023, the Company issued an additional 325 debenture units at the same terms as described above to arm’s length investors, for total cash proceeds of $325,000 (“Tranche 1”). The Company paid $19,500 in finder’s fee as part of this financing which has been recorded as interest expense in the consolidated statements of loss and comprehensive loss.

On September 22, 2023 and September 25, 2023, the Company issued an additional 717 debenture units at the same terms as described above to arm’s length investors, for total cash proceeds of $717,000 (“Tranche 2”). The Company paid $11,100 in finder’s fee as part of this financing which has been recorded as interest expense in the consolidated statements of loss and comprehensive loss.

(Expressed in Canadian Dollars)

On September 26, 2023, $1,885,188 of convertible debentures were converted into 20,946,530 common shares at $0.09 per share. On October 12, 2023 and October 13, 2023, the remaining $512,197 of convertible debentures were converted into 5,691,076 common shares of the Company at $0.09 per share. The amounts converted include unpaid interest of $61,253

In connection with the original tranche and Tranche 1, the Company issued 32,360,000 (3,236,000 post-consolidation – Note 15) common share purchase warrants exercisable at a price of $0.05 per share ($0.50 post-consolidation) for a period of two years from the date of issue. A fair value of $851,849 was assigned to the warrants issued, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of between $0.04 to $0.045, expected volatility of between 133 and 134%, a risk-free rate of return of 4.49% and an expected life of 2 years. In connection with Tranche 2, the Company issued 1,434,000 common share purchase warrants exercisable at a price of $0.50 per share for a period of two years from the date of issue. A fair value of $101,595 was assigned to the warrants issued, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of between $0.095 to $0.125, expected volatility of between 184 and 185%, a risk-free rate of return of between 4.99% and 5.01% and an expected life of 2 years. The fair value of warrants issued for this transaction has been accounted for as an equity-based finance charge (as it is not related to raising capital) and expensed in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2023. The following is a continuity schedule of the debenture:

Balance, December 31, 2022	**$**	-
Advance by way of conversion of other debt		1,293,000
Advance - Tranche 1		325,000
Advance - Tranche 2		717,000
Interest		62,385
Conversion into equity		(2,397,385)
Balance, December 31, 2023	**$**	-

14. Share Capital

(a) Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

(b) Issued and outstanding – Common Shares

On September 12, 2023, the Company performed a consolidation of its issued and outstanding share capital on the basis of one (1) new common share for every ten (10) outstanding common shares. The same 1:10 consolidation was performed for all outstanding warrants and stock options.

	Common Shares Pre-Consolidation	Common Shares Post-Consolidation		Amount
Balance, December 31, 2021	**154,365,225**	**15,436,523**	**$**	**15,791,739**
Private placement, net of costs	3,050,000	305,000		258,600
Issuance of warrants	-	-		(180,000)
Issuance of finders warrants	-	-		(14,000)
Shares issued as stock-based compensation	491,228	49,123		46,667
Exercise of stock options	850,000	85,000		145,000
Balance, December 31, 2022	**158,756,453**	**15,875,646**	**$**	**16,048,006**
Balance, December 31, 2022	**158,756,453**	**15,875,646**	**$**	**16,048,006**
Private placement, net of costs	7,844,000	784,400		369,124
Conversion of debt to equity	-	26,637,606		2,397,385
Issuance of warrants	-	-		(289,723)
Issuance of finders warrants	-	-		(16,973)
Stock-based compensation	-	4,050,000		425,250
Shares issued in settlement of debt	-	12,009,600		810,648
Balance, December 31, 2023	**-**	**59,357,252**	**$**	**19,743,717**

On March 15, March 24 and April 5, 2022, the Company closed three tranches of a non-brokered private placement and issued an aggregate of 3,050,000 units at a price of $0.10 per unit for gross proceeds of $305,000. Each unit comprises one common share and one common share purchase warrant which entitles the holder to purchase one common share for $0.10 ($1.00 post consolidation) for a period of thirty-six months from the closing of the offering. A fair value of $180,000 was assigned to these warrants, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of between $0.07 and $0.095, expected volatility of 130%, a risk-free rate of return of between 1.82% to 2.40% and an expected life of 3 years. Cash costs of issue amounted to $46,400 in aggregate. In addition the Company issued 244,000 finders warrants exercisable for $0.10 per warrant with identical terms as the non-brokered private placement warrants above. A fair value of $14,000 was assigned to these warrants, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of between $0.07 and $0.095, expected volatility of 130%, a risk-free rate of return of between 1.82% to 2.40% and an expected life of 3 years.

During the year ended December 31, 2022, the Company issued 491,228 common shares in exchange for services provided to the Company, valued at $46,667. The Company also issued 850,000 common shares, on the exercise of stock options for proceeds of $85,000. Upon exercise, an amount of $60,000 was transferred from contributed surplus to share capital.

On May 12, 2023, the Company closed a non-brokered private placement and issued an aggregate of 7,844,000 (784,400 post-consolidation) units at a price of $0.05 ($0.50 post-consolidation) per unit for gross proceeds of $392,000. Each unit comprises one common share and one common share purchase warrant which entitles the holder to purchase one common share for $0.05 (post-consolidation $0.50) for a period of twenty-four months from the closing of the offering. A fair value of $289,723 was assigned to these warrants, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of $0.055, expected volatility of 130%, a risk-free rate of return of 3.73% and an expected life of 2 years. Cash costs of issue amounted to $22,876 in aggregate. In addition, the Company issued 459,520 (45,952 post-consolidation) finder's warrants exercisable for $0.05 ($0.50 post-consolidation) per warrant with identical terms as the non-brokered private placement warrants above. A fair value of $16,973 was assigned to these warrants, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of $0.055, expected volatility of 130%, a risk-free rate of return of 3.73% and an expected life of 2 years.

During the year ended December 31, 2023, all debenture holders converted their principal amount and accrued interest into the common shares of the Company (Note 13). The total amount converted was $2,397,385 in exchange for 26,637,606 common shares at $0.09 per share.

During the year ended December 31, 2023, the Company issued 8,100,000 restricted shares representing a value of $850,500 or $0.105 per share. As part of this issuance, 50% vested immediately on October 19, 2023 and the remainder will vest one year after issuance. With respect to this award, the Company recognized $510,300 as stock-based compensation in 2023 which comprises $425,250 for the vested portion and $85,050 for the amortization of the unvested portion. In addition, the Company issued 12,009,600 shares in settlement of debt owed to various insiders and consultants of the Company for a total value of $810,648.

15. Warrants

On September 12, 2023, the Company performed a consolidation of its issued and outstanding share capital on the basis of one (1) new common share for every ten (10) outstanding common shares. The same 1:10 consolidation was performed for all outstanding warrants and stock options.

The following table reflects the continuity of warrants for the years ended December 31, 2023 and 2022:

(Expressed in Canadian Dollars)

	Warrants Pre-Consolidation	Warrants Post-Consolidation	Weighted Average Exercise Price
Balance, December 31, 2021	**14,207,583**	**1,420,758**	**$2.10**
Issued	8,294,000	829,400	$1.00
Balance, December 31, 2022	**22,501,583**	**2,250,158**	**$1.70**
Balance, December 31, 2022	**22,501,808**	**2,250,181**	**$1.70**
Issued - May 12, 2023 private placement	7,844,000	784,400	$0.50
Issued - May 12, 2023 private placement (finders)	459,520	45,952	$0.50
Expired - finders warrants with May 28, 2023 maturity	(315,000)	(31,500)	$3.00
Issued - June 9, 2023 convertible debenture subscription	25,860,000	2,586,000	$0.50
Issued - June 15, 2023 convertible debeture subscription	6,500,000	650,000	$0.50
Expired - finders warrants with August 31, 2023 maturity	(355,500)	(35,550)	$1.00
Expired - finders warrants with September 20, 2023 maturity	(288,000)	(28,800)	$1.00
Expired - finders warrants with December 17, 2023 maturity	(193,500)	(19,350)	$1.50
Issued - September 22, 2023 convertible debenture subscription	-	1,074,000	$0.50
Issued - September 25, 2023 convertible debenture subscription	-	360,000	$0.50
Balance, December 31, 2023	-	**7,635,333**	**$0.84**

The following table reflects warrants outstanding as at December 31, 2023:

Expiry Date	Exercise Price Pre-Consolidation	Exercise Price Post-Consolidation	Weighted Average Life Remaining (Years)	Warrants Pre-Consolidation	Warrants Post-Consolidation	Black-Scholes Value
May 28, 2024	$ 0.30	$ 3.00	0.41	6,033,333	603,333	$ 287,186
August 31, 2024	$ 0.15	$ 1.50	0.67	1,975,000	197,500	$ 83,938
September 20, 2024	$ 0.15	$ 1.50	0.72	1,937,500	193,750	$ 69,750
October 28, 2024	$ 0.15	$ 1.50	0.83	649,975	64,998	$ 13,765
December 17, 2024	$ 0.15	$ 1.50	0.96	2,460,000	246,000	$ 30,940
February 7, 2025	$ 0.10	$ 1.00	1.10	5,000,000	500,000	$ 353,000
March 15, 2025	$ 0.10	$ 1.00	1.21	750,000	75,000	$ 53,000
March 15, 2025	$ 0.10	$ 1.00	1.21	60,000	6,000	$ 4,000
March 24, 2025	$ 0.10	$ 1.00	1.23	1,750,000	175,000	$ 100,000
March 24, 2025	$ 0.10	$ 1.00	1.23	140,000	14,000	$ 8,000
April 5, 2025	$ 0.10	$ 1.00	1.26	550,000	55,000	$ 27,000
April 5, 2025	$ 0.10	$ 1.00	1.26	44,000	4,400	$ 2,000
May 12, 2025	$ 0.05	$ 0.50	1.37	7,844,000	784,400	$ 289,723
May 12, 2025	$ 0.05	$ 0.50	1.37	459,520	45,952	$ 16,973
June 30, 2025	$ 0.05	$ 0.50	1.50	25,860,000	2,586,000	$ 659,064
June 30, 2025	$ 0.05	$ 0.50	1.50	6,500,000	650,000	$ 192,785
June 30, 2025		$ 0.50	1.50	-	1,074,000	$ 81,968
June 30, 2025		$ 0.50	1.50	-	360,000	$ 19,626
		$ 0.84	**1.30**	-	**7,635,333**	**$ 2,292,718**

The warrants with previous expiry dates of May 28, 2023 (6,033,333 warrants, 603,333 post-consolidation), August 31, 2023 (1,975,000 warrants, 197,500 post-consolidation), September 20, 2023 (1,937,500 warrants, 193,750 post-consolidation), October 28, 2023 (649,975 warrants, 64,998 post-consolidation) and December 17, 2023 (2,460,000 warrants, 246,000 post-consolidation) have had their expiry dates extended by exactly one (1) year to allow more time for the holders to exercise their rights. The exercise price of these warrants remained unchanged (except due to a 1:10 consolidation impact) and the Company chose to adopt the option available under IAS 32 and did not change their valuation. In addition, 315,000 (31,500 post-consolidation) finder's warrants (expiry date of May 28, 2023), 355,500 (35,550 post-consolidation) finder's warrants (expiry date August 31, 2023), 288,000 (28,800 post-consolidation) finder's warrants (expiry date September 20, 2023) and 193,500 (19,350 post-consolidation) finder's warrants (expiry date December 17, 2023) expired unexercised.

16. Stock Options

On September 12, 2023, the Company performed a consolidation of its issued and outstanding share capital on the basis of one (1) new common share for every ten (10) outstanding common shares. The same 1:10 consolidation was performed for all outstanding warrants and stock options.

The following table reflects the continuity of stock options for the years ended December 31, 2023 and 2022:

(Expressed in Canadian Dollars)

	Stock Options Pre-Consolidation	Stock Options Post-Consolidation	Weighted Average Exercise Price
Balance, December 31, 2021	**10,150,000**	**1,015,000**	**$2.00**
Granted	1,350,000	135,000	$1.00
Exercised	(850,000)	(85,000)	$1.00
Balance, December 31, 2022	**10,650,000**	**1,065,000**	**$1.90**
Balance, December 31, 2022	**10,650,000**	**1,065,000**	**$1.90**
Cancelled - April 17, 2023	(2,400,000)	(240,000)	$2.50
Cancelled - October 19, 2023	-	(725,000)	$1.56
Granted - October 19, 2023	-	490,000	$0.10
Granted - November 23, 2023		10,000	$0.10
Balance, December 31, 2023	-	**600,000**	**$0.58**

On January 13, 2022, the Company granted 500,000 options to a director of the Company exercisable at a price of $0.10 for a three-year term. A fair value of $33,000 was assigned to these options, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of $0.10, expected volatility of 130%, a risk-free rate of return of 1.21% and an expected life of 3 years. The options vested immediately upon grant.

On February 18, 2022, the Company granted 850,000 options to a consultant exercisable at a price of $0.10 for a three-year term. A fair value of $60,000 was assigned to these options, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of $0.095 expected volatility of 130%, a risk-free rate of return of 1.57% and an expected life of 3 years. The options vested immediately upon grant. These options were exercised during the year and the Company issued 850,000 common shares for proceeds of $85,000. On exercise, $60,000 was transferred from contributed surplus to share capital.

On April 17, 2023, the Company, with the agreement of the option holders, cancelled 2,400,000 (240,000 post-consolidation) stock options with exercise prices ranging from $0.13 to $0.50 ($1.30 to $5.00 post-consolidation) and expiry dates between December 9, 2024 and February 4, 2026. These stock options were fully vested but unexercised due to the stock price of the Company being lower than the exercise price of the options.

On October 19, 2023, the Company, with the agreement of the option holders, cancelled 725,000 (7,250,000 pre-consolidation) stock options with exercise prices ranging from $1.30 to $5.00 ($0.13 to $0.50 pre-consolidation) and expiry dates between December 10, 2024 and July 6, 2026. These stock options were fully vested but unexercised due to the stock price of the Company being lower than the exercise price of the options.

On October 19, 2023, the Company granted 490,000 stock options to certain insiders and arm's length parties exercisable at a price of $0.095, with 50,000 of the options expiring on December 10, 2024 and 440,000 of the options expiring on July 6, 2026. The options vested immediately. A fair value of $42,522 was assigned to these options, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of $0.1050, expected volatility of between 158% to 242%, a risk-free rate of return of between 4.79% and 5.12% and an expected life of between 1.15 years to 2.72 years.

On November 23, 2023, the Company granted 10,000 stock options to an insider exercisable at a price of $0.095 and expiring on July 6, 2026. The options vested immediately. A fair value of $1,922 was assigned to these options, estimated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, share price of $0.23, expected volatility of between 165%, a risk-free rate of return of 4.32% and an expected life of between 2.62 years.

Expiry Date	Exercise Price Pre-Consolidation	Exercise Price Post-Consolidation	Weighted Average Life Remaining	Stock Options Pre-Consolidation	Stock Options Post-Consolidation
December 10, 2024	$ 0.50	$ 5.00	0.94	500,000	50,000
December 10, 2024		$ 0.095	0.94		50,000
January 13, 2025	$ 0.10	$ 1.00	1.04	500,000	50,000
July 6, 2026		$ 0.095	2.52		440,000
July 6, 2026		$ 0.210	2.52		10,000
		$ 0.58	**2.13**		**600,000**

(Expressed in Canadian Dollars)

17. Related Party Balances and Transactions

Remuneration of key management personnel of the Company was as follows:

Year Ended December 31		2023		2022
Remuneration paid to key management	$	875,183	$	841,158
Stock-based compensation	$	536,358	$	33,000

The Company defines key management as the Company's directors and officers. As at December 31, 2023, amounts due to key management for remuneration totaled $234,830 (2022- $54,408). Stock-based compensation in the table above relates to the restricted shares issued to the management team (Note 14) as well as the stock options issued to one of the directors on October 19, 2023. The Company issued 8,100,000 restricted shares representing a value of $850,500 or $0.105 per share. As part of this issuance, 50% vested immediately on October 19, 2023 and the remainder will vest one year after issuance. With respect to this award, the Company recognized $510,300 as stock-based compensation in 2023 which comprises $425,250 for the vested portion and $85,050 for the amortization of the unvested portion. The stock options issued to one of the directors were valued at $26,058 using the Black-Scholes model (see Note 16).

On February 7, 2022, the Company obtained a $500,000 loan from a lender whose president is also an officer of the Company. Interest of $24,822 for the year ended December 31, 2023 was expensed and the entire balance of the loan was converted into a convertible debenture on June 9, 2023. The details of this transaction are provided in Note 10 to these consolidated financial statements.

On January 24, 2023, the Company entered into a loan agreement with a related party whereby the lender agreed to advance $150,000 to the Company. The CEO of the lending party is also an officer of the Company. Interest of $6,263 for the year ended December 31, 2023 was expensed and the entire balance of the loan was converted into a convertible debenture on June 9, 2023. The details of this transaction are provided in Note 12 to these consolidated financial statements.

On June 9, 2023, convertible debenture units were issued to the lenders of the promissory note payable (Note 10) and loan payable (Note 12) as part of the loan conversion process. Both lenders are related parties as described in the paragraphs above. The details of this transaction are provided in Note 13 to these consolidated financial statements. As of December 31, 2023, none of the outstanding convertible debenture units are held by the related parties as those units were fully converted into the common shares of the Company on September 26, 2023. The total amount converted by the related parties was $760,303 at $0.09 per share for 8,447,814 common shares. Interest of $26,303 on the convertible debenture held by related parties for the year ended December 31, 2023 was expensed.

During the year ended December 31, 2023, the Company expensed $616,743 (2022 - $659,243) for digital marketing services provided by a firm controlled by an officer of the Company. As at December 31, 2023, $nil (2022 - $195,666) was included in accounts payable and accrued liabilities in connection with these services.

During the year ended December 31, 2023, the Company expensed $nil (2022 - $101,081) for legal services provided by a firm, a partner of which was a director of the Company. As at December 31, 2023, $131,507 (2022 - $82,270) was included in accounts payable and accrued liabilities. On November 2, 2022, this director resigned from his position, but his firm continues to provide legal services to the Company.

During the year ended December 31, 2023, the Company expensed $nil (2022 - $75,678) to Marrelli Support Services Inc., DSA Corporate Services Inc. and DSA Filing Services Limited ("Marrelli Group") for acting as chief financial officer, regulatory filing and corporate secretarial services. As of December 31, 2023, the Marrelli Group was owed $nil (2022 - $nil). As of December 6, 2022, the Company no longer uses the services of the Marrelli Group.

On August 28, 2023, the Company entered into a partnership agreement with HUCK Project LLC which is a firm controlled by an officer of the Company. The Company has undertaken a number of related party transactions with HUCK on August 28, 2023 and during the period from August 29, 2023 to December 31, 2023. Refer to Note 18 for a full description of the partnership agreement and the related party transactions.

The above noted transactions are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

18. Sales and License Agreement

On August 28, 2023, the Company entered into a partnership agreement ("Partnership Agreement") with HUCK Project LLC ("HUCK"), whereby HUCK became the Company's non-exclusive global retail-only distribution partner. HUCK is a US-based digital marketing firm that is owned by a director and officer of Company and is therefore a related party.

As per the Partnership Agreement, the Company transferred the operation of its e-commerce site to HUCK, including advertising and marketing activities and, without limitation, the duty to reimburse the Company for all outstanding costs, debts, liabilities, and payments associated with the Company's obligations related to or otherwise associated with the e-commerce site. Proceeds from revenues from the sale of all products as well as expenses related to the cost of goods sold, marketing, advertising, commissions are the responsibility of HUCK subsequent to August 28, 2023. HUCK also undertook to maintain sufficient inventory to ensure the ongoing operation of the e-commerce site in a commercially reasonable manner. In return, the Company is entitled to receive royalty by way of a cash royalty, payable each month, and special royalty, which can only be levied upon prior agreement of both parties. The cash royalty amount is calculated on HUCK's tiered monthly sales in US$ using a royalty range for each tier. The actual percentage rate applied from within the royalty range is at the discretion of management.

As part of the agreement HUCK also undertook to reimburse the Company for repayments made by it towards its e-commerce platform loan from September 29, 2023.

At the end of day on August 28, 2023 and during the period from August 29, 2023 to December 31, 2023, the Company recorded the following related party transactions with HUCK as per the Partnership Agreement:

- Transfer of existing inventory on hand and prepaid inventory in transit to HUCK on August 28, 2023 in the amount of $684,038. The value of existing inventory transferred was $159,215 and the value of inventory in transit was $524,823. As a result of this transfer, there remains a $nil balance of inventory on hand and $22,847 in manufacturing deposits. The manufacturing deposits balance is part of the prepaid and sundry receivable balance on the consolidated statements of financial position.

- During the period from August 29, 2023 to December 31, 2023, the Company made two additional payments for inventory on behalf of HUCK in the amount of $688,008.

- During the period from August 29, 2023 to December 31, 2023, the Company paid various expenses which belong to HUCK as per the Partnership Agreement in the amount of $667,337. These were for marketing, advertising, commissions, shipping, fulfillment, consulting and other fees.

- During the period from August 29, 2023 to December 31, 2023, HUCK paid various expenses which belong to the Company in the amount of $348,252.These were for marketing, advertising and other, which were incurred prior to August 28, 2023.

- During the period from August 29, 2023 to September 30, 2023, HUCK reimbursed the Company $197,183 representing the Company's repayments of its e-commerce platform loan and this has been recorded as income and charged to HUCK.

- During the period from August 29, 2023 to December 31, 2023, the Company collected $4,897,704 in sales proceeds (inclusive of sales tax and shipping fees) on behalf of HUCK. In the same time period, the Company transferred $2,510,658 to HUCK in settlement of this payable balance.

- During the period from August 29, 2023 to December 31, 2023, HUCK reported total net sales of $4,874,704 (exclusive of tax and shipping fee income) and the Company accrued cash royalty in the amount of $283,427 and no special royalty. In November 2023, the Company provided a rebate of $17,773 on the previous royalty charged to HUCK based on holistic review of HUCK's sales activity. Please refer to the table below for the breakdown of the cash royalty by month.

(Expressed in Canadian Dollars)

Cash Royalty Income

Year 2023		Net Sales (CAD)	Rate		Royalty		Rebate		Net Royalty
August (August 29 to August 31)	$	128,463	10%	$	12,846	$	-	$	12,846
September	$	1,020,753	10%	$	102,075	$	-	$	102,075
October	$	926,880	5%	$	46,344	$	-	$	46,344
November	$	1,988,119	5%	$	99,406	$	17,773	$	81,633
December	$	810,576	5%	$	40,529	$	-	$	40,529
								$	**283,427**

- The table below provides a summary of all the transactions with HUCK during the year ended December 31, 2023. The net payable balance of $215,305 has been included in the accounts payable and accrued liabilities balance on the consolidated statements of financial position as at December 31, 2023.

Due from HUCK		**December 31, 2023**
Inventory on hand and prepaid inventory transfer to HUCK on August 28, 2023	$	684,038
Subsequent inventory purchase paid by the Company on behalf of HUCK		688,008
Cash royalty		283,427
Subsequent HUCK related expenses paid by the Company		667,337
Credit reimbursement		197,183
Subtotal	**$**	**2,519,993**

Due to HUCK		**December 31, 2023**
Sales proceeds received by the Company and payable to HUCK	$	4,897,704
Transfer of sales proceeds to HUCK		(2,510,658)
Subsequent Company related expenses paid by HUCK		348,252
Subtotal	**$**	**2,735,298**
Net Payable Balance	**$**	**215,305**

Management used IFRS 10 guidance to determine whether it has control over HUCK and based on a number of judgements determined that no control exists due to the Company not having exposure or rights to variable returns from its involvement with HUCK. As a result, the Company has not consolidated the financial results of this segment of HUCK's business in its financial statements.

19. Segmented Information

The Company's operations consist of a single operating segment, located in Canada. During the year ended December 31, 2023, 79% (2022 - 78%) of sales were to US customers and 7% (2022 - 9%) being sold to customers in Canada. The Company's remaining customers are distributed widely throughout the world.

20. Net Loss Per Share

The calculation of basic and diluted loss per share for the year ended December 31, 2022 was based on the loss attributable to common shareholders of $4,782,513 (2022 - $3,908,848), and the weighted average number of common shares outstanding of 26,464,003 (2022 – 15,787,908). Options and warrants have been excluded from the calculation of weighted average number of common shares outstanding as they are antidilutive.

21. Prepaid and Sundry Receivable

		December 31, 2023		December 31, 2022
Refundable GST/HST	**$**	-	$	6,656
Prepaid expenses		**30,167**		62,994
Manufacturing deposits		**22,847**		340,350
	$	**53,014**	$	410,000

(Expressed in Canadian Dollars)

22. Cost of Goods Sold

Cost of goods sold is comprised of the following:

For the year ended December 31		2023		2022
Manufactured product cost	$	1,390,326	$	1,269,369
Shipping expenses		112,911		207,619
Fulfillment services		309,757		417,439
E-commerce fees		268,569		317,463
Other		146,707		74,520
	$	2,228,270	$	2,286,410

All of the Company's products are manufactured by a sole supplier located overseas. The Company has dealt with the same supplier since its inception and enjoys a good relationship. Management believes that should the relationship cease abruptly, it may cause a temporary disruption in supply, but alternate sources could be developed to manufacture the product.

23. Accounts Payable and Accrued Liabilities

		December 31, 2023		December 31, 2022
Accounts payable and accrued liabilities	$	1,275,938	$	1,553,805
Due to HUCK (Note 18)		215,305		-
Insurance loan payable		24,516		40,481
Other		581,859		301,747
	$	2,097,618	$	1,896,033

Other accounts payable as at December 31, 2023 represents provisions for sales taxes payable.

24. Subsequent Events

As of January 1, 2024, the Company has terminated the Partnership Agreement with HUCK (see Note 18 for details of the agreement). The combination of stronger financial position, improved company valuation and feedback that the Company received from investors led the management of the Company to believe that the primary objective of the partnership with HUCK, announced on August 28, 2023, has been largely achieved. Both companies have retained a friendly relationship and agreed to all terms and conditions.

On January 20, 2024, the Company obtained another tranche of the e-commerce platform loan in the amount of $800,000 for a total repayable amount of $888,000 which includes a finance charge of $88,000.

On February 16, 2024, the Company closed a non-brokered private placement of 26,666,663 units of the Company at a price of $0.15 per unit for aggregate gross proceeds of approximately $4,000,000. Each unit is comprised of one common share in the Company and one common share purchase warrant being exercisable into one common share at a price of $0.25 per share for a period of 24 months from closing of the offering.

On March 20, 2024, the Company announced the appointment of Jamie Cochran to the Company's Board of Directors who will replace the existing director, Ruslan Elensky.

25. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2022 -26.5%) to the effective rate is as follows:

		2023		2022
Loss before income taxes	$	(4,782,513)	$	(4,082,902)
Expected income tax expense (recovery)	$	(1,267,367)	$	(1,081,969)
Stock based compensation and non-deductible expenses		457,972		130,858
Change in tax benefits not recognized		809,395		951,111
Income tax expense (recovery)	$	-	$	-

(Expressed in Canadian Dollars)

Unrecognized Deferred Tax Assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

		2023		2022
Property, plant and equipment	$	**60,280**	$	50,464
Intangible assets		**686,487**		558,344
Share issuance costs		**131,255**		301,341
Non-capital losses carried forward		**22,963,822**		19,707,398
Other temporary differences		**-**		20,000
	$	**23,841,844**	$	20,637,458

The Canadian non-capital loss carry forwards expire as noted in the below table. Share issue and financing costs will be fully amortized in 2027. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been fully recognized in respect of these items because it is not probable that future profit will be available against which the Company can use the benefits therefrom.

2033	$	58,916
2034		31,623
2035		35,506
2037		1,531,715
2038		1,661,560
2039		1,066,686
2039		1,576,987
2040		4,614,056
2041		5,036,183
2042		4,210,464
2043		3,140,126
	$	**22,963,822**