

FIRST RESPONDER TECHNOLOGIES INC.

**Condensed Consolidated Interim Financial Statements
For the three months ended September 30, 2020 and 2019
(Expressed in Canadian Dollars)
(Unaudited)**

NOTICE TO READER

Under National Instrument 51-102 “Continuous Disclosure Requirements”, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited interim financial statements, they must be accompanied by a notice indicating that the unaudited interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these unaudited interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

FIRST RESPONDER TECHNOLOGIES INC.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	September 30, 2020	June 30, 2020
Assets		
Current		
Cash and cash equivalents (note 5)	\$ 666,931	\$ 1,548,903
Receivables	115,620	89,056
Prepaid expenses and deposits	143,183	242,206
	925,734	1,880,165
Equipment	63,141	71,631
Intangible assets (note 6)	2,031,642	2,155,572
	2,094,783	2,227,203
	\$ 3,020,517	\$ 4,107,368
Liabilities and Shareholders' Equity		
Liabilities		
Current		
Accounts payable and accrued liabilities (note 10)	\$ 901,543	\$ 601,449
Shareholders' Equity		
Common shares (note 7)	10,329,385	10,329,385
Reserves	982,724	886,533
Deficit	(9,193,135)	(7,709,999)
	2,118,974	3,505,919
	\$ 3,020,517	\$ 4,107,368

Approved on behalf of the Board:

"Stockwell Day" (signed)

Director

"Robert Delamar" (signed)

Director

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

FIRST RESPONDER TECHNOLOGIES INC.
Condensed Consolidated Interim Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended	
	September 30,	
	2020	2019
Operating expenses		
Advertising and promotions	\$ 54,673	\$ 134,872
Advisory and director fees (note 10)	48,823	56,555
Amortization and depreciation (note 6)	132,420	74,610
Investor relations	147,075	63,830
Management fees (notes 9 and 10)	176,804	166,109
Office and general expenses	29,929	12,834
Patents and licensing expenses	4,408	1,720
Professional fees	96,222	8,777
Rent	26,000	7,000
Research and development (notes 8 and 10)	674,332	366,912
Share-based payments (notes 7 and 10)	96,191	51,270
Transfer agent and filing fees	6,167	15,169
	(1,493,044)	(959,658)
Other items		
Foreign exchange gain (loss)	8,630	(1,555)
Interest income	1,278	-
Net loss and comprehensive loss for the period	\$ (1,483,136)	\$ (961,213)
Basic and diluted loss per share	\$ (0.02)	\$ (0.03)
Weighted average number of common shares outstanding	61,881,718	38,002,988

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

FIRST RESPONDER TECHNOLOGIES INC.**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity****(Expressed in Canadian Dollars)****For the three months ended September 30, 2020 and 2019****(Unaudited)**

	Common Shares			Reserves \$	Deficit \$	Total Equity \$
	Number Outstanding	Amount \$	Subscriptions \$			
Balance, June 30, 2019	34,277,600	1,675,400	1,179,163	-	(566,817)	2,287,746
Shares issued – private placements	6,977,610	2,442,163	(1,179,163)	-	-	1,263,000
Shares cancelled	(300,000)	(15,000)	-	-	-	(15,000)
Share subscriptions	-	-	297,500	-	-	297,500
Share-based payments	-	-	-	51,270	-	51,270
Net loss for the period	-	-	-	-	(961,213)	(961,213)
Balance, September 30, 2019	40,955,210	4,102,563	297,500	51,270	(1,528,030)	2,923,303
Balance, June 30, 2020	61,881,718	10,329,385	-	886,533	(7,709,999)	3,505,919
Share-based payments	-	-	-	96,191	-	96,191
Net loss for the period	-	-	-	-	(1,483,136)	(1,483,136)
Balance, September 30, 2020	61,881,718	10,329,385	-	982,724	(9,193,135)	2,118,974

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

FIRST RESPONDER TECHNOLOGIES INC.
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	For the three months ended September 30,	
	2020	2019
Operating activities		
Net loss for the period	\$ (1,483,136)	\$ (961,213)
Items not affecting cash:		
Amortization and depreciation	132,420	74,610
Foreign exchange (gain) loss	(8,630)	1,555
Share-based compensation	96,191	51,270
Change in working capital balances:		
Receivables	(26,564)	(43,792)
Prepaid expenses and deposits	99,023	(264,759)
Accounts payable and accrued liabilities	308,724	226,338
Cash used in operating activities	(881,972)	(915,991)
Financing activities		
Shares issued – net of share issue costs	-	2,440,663
Share subscriptions	-	(881,663)
Cash provided by financing activities	-	1,559,000
Inflow (outflow) of cash	(881,972)	643,009
Cash and cash equivalents, beginning of the period	1,548,903	1,216,210
Cash and cash equivalents, end of the period	\$ 666,931	\$ 1,859,219

The Company did not have any investing activities for the periods indicated

Supplemental Cash Flow Information

Share issues included in subscriptions receivable	\$	-	\$ 17,500
Interest and taxes paid	\$	-	-

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

FIRST RESPONDER TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended September 30, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

First Responder Technologies Inc. (the “Company”) was incorporated under the *BC Business Corporations Act* on January 27, 2017. The Company is a technology development company that commercializes academic and internally developed intellectual property for the purpose of developing new products for use in the public safety market.

The principal business of the Company is the development of detection products and services based on WiFi-based detection technology first developed at, and licensed from Rutgers, The State University of New Jersey that can be used to detect dangerous concealed weapons.

The Company’s registered and records office address is 1500 – 1055 West Georgia Street, Vancouver, BC, V6E 4N7. Its principal place of business is 915 – 700 West Pender Street, Vancouver, BC, V6C 1G8.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. At present, the Company has no current operating income. As at September 30, 2020, the Company has a deficit of \$9,193,135 (June 30, 2020 – \$7,709,999) and for the three months then ended incurred a net loss of \$1,483,136 (2019 – \$961,213). Without additional financing, the Company may not be able to fund its ongoing operations and complete development activities. The Company intends to finance its future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. These uncertainties may cast significant doubt on the Company’s ability to continue as a going concern. The Company will need to raise sufficient working capital to maintain operations. These condensed consolidated interim financial statements do not include any adjustments related to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

At the time these condensed consolidated interim financial statements were prepared, the COVID-19 pandemic has caused significant disruptions to the global economy and increased volatility in the global financial markets. The extent to which COVID-19 may adversely impact the Company’s business and financing opportunities will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, and other countries to contain and treat the disease. Although it is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these condensed consolidated interim financial statements, there may be further significantly adverse impact on the Company’s financial position and results of operations for future periods if the pandemic is not successfully contained or the effects of which are not mitigated.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. These condensed consolidated interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended June 30, 2020.

In preparing these condensed consolidated interim financial statements, the significant accounting policies and the significant judgments made by management in applying the Company’s significant

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accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's audited consolidated financial statements for the year ended June 30, 2020.

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

(b) Basis of presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as fair value through profit or loss, which are stated at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Approval of the condensed consolidated interim financial statements

These condensed consolidated interim financial statements were authorized for issue by the Audit Committee and Board of Directors on November 17, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of these condensed consolidated interim financial statements is based on accounting principles and practices consistent with those used in the preparation of the audited annual consolidated financial statements for the year ended June 30, 2020.

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of these condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that were applied to the audited annual consolidated financial statements for the year ended June 30, 2020.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of cash on hand, demand deposits with financial institutions, and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of change in value. Cash at banks and on hand earns interest at floating rates based on daily bank deposit rates. Cash equivalents are held in cashable guaranteed investment certificates with a maturity date June 15, 2021 with an interest rate of 0.82%. The Company's cash and cash equivalents at September 30, 2020 and June 30, 2020 are as follows:

	September 30,	
	2020	June 30, 2020
Cash held in bank accounts	\$ 21,931	\$ 23,903
Term deposits	645,000	1,525,000
	<u>\$ 666,931</u>	<u>\$ 1,548,903</u>

FIRST RESPONDER TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended September 30, 2020 and 2019

(Expressed in Canadian Dollars)

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6. INTANGIBLE ASSETS

	NIH License Assignment Agreement	Rutgers License Assignment Agreement	Total
Cost			
Balance, June 30, 2019	\$ 608,972	\$ 882,688	\$ 1,491,660
Additions	-	1,595,668	1,595,668
Impairment	(608,972)	-	(608,972)
Balance, September 30, 2020 and June 30, 2020	\$ -	\$ 2,478,356	\$ 2,478,356
Accumulated Amortization			
Balance, June 30, 2019	\$ 40,600	\$ -	\$ 40,600
Amortization	81,200	322,784	403,984
Impairment	(121,800)	-	(121,800)
Balance, June 30, 2020	\$ -	\$ 322,784	\$ 322,784
Amortization	-	123,930	123,930
Balance, September 30, 2020	\$ -	\$ 446,714	\$ 446,714
Carrying Amounts			
June 30, 2020	\$ -	\$ 2,155,572	\$ 2,155,572
September 30, 2020	\$ -	\$ 2,031,642	\$ 2,031,642

7. SHAREHOLDERS' EQUITY

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

Three months ended September 30, 2020

No shares were issued during the three months ended September 30, 2020.

Three months ended September 30, 2019

On July 25, 2019, the Company cancelled 300,000 common shares that were previously issued as part of the July 5, 2018 non-brokered private placement as no proceeds were received.

On August 9, 2019, the Company completed a non-brokered private placement of 6,977,610 units at a price of \$0.35 per unit for gross proceeds of \$2,442,163. Each unit consists of one common share and one-half common share purchase warrant entitling the holder to purchase one additional common share at an exercise price of \$0.50 per common share for a full warrant for two years from the date of issue. The warrants were assigned \$nil value using the residual method.

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(c) Common share purchase warrants

As at September 30, 2020 and June 30, 2020, the Company had the following warrants outstanding:

Expiry date	September 30, 2020			June 30, 2020		
	Number of warrants	Exercise Price	Remaining life (years)	Number of warrants	Exercise price	Remaining life (years)
August 9, 2021	3,488,802	\$0.50	0.86	3,488,802	\$0.50	1.11
January 14, 2022	6,987,093	\$0.50	1.29	6,987,093	\$0.50	1.54
January 14, 2022	1,117,934 ⁽¹⁾	\$0.50	1.29	1,117,934 ⁽¹⁾	\$0.50	1.54
	11,593,829	\$0.50⁽²⁾	1.16⁽²⁾	11,593,829	\$0.50⁽²⁾	1.41⁽²⁾

⁽¹⁾ Agent warrants⁽²⁾ Weighted average

Warrant activity was as follows:

	Number of warrants	Exercise price
Balance at June 30, 2019	-	-
Issued	11,593,829	\$0.50
Balance at September 30 and June 30, 2020	11,593,829	\$0.50

(d) Stock options

On July 11, 2019, the Company implemented an Incentive Stock Option Plan (the "Stock Option Plan"). Pursuant to the Stock Option Plan, the Company will grant stock options to directors, officers, employees and consultants for services, provided that the number of common shares reserved for issuance shall not exceed 10% of the issued and outstanding common shares exercisable for a period of up to 5 years. The exercise price and vesting terms of the options granted under the Stock Option Plan will be determined by the Board of Directors.

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As at September 30, 2020, the Company had the following options outstanding:

Expiry date	September 30, 2020		
	Number of options	Exercise Price	Remaining life (years)
January 15, 2022 ⁽¹⁾	30,000	\$0.50	1.29
January 15, 2023 ⁽¹⁾	1,000,000	\$0.15	2.29
January 15, 2023 ⁽²⁾	620,000	\$0.35	2.29
January 15, 2023 ⁽³⁾	540,000	\$0.40	2.29
January 15, 2023 ⁽¹⁾	300,000	\$0.50	2.29
January 20, 2023 ⁽¹⁾	252,234	\$0.40	2.31
July 25, 2024 ⁽⁴⁾	3,000,000	\$0.05	3.82
January 15, 2025 ⁽¹⁾	200,000	\$0.50	4.30
Options outstanding	5,942,234	\$0.185⁽⁵⁾	3.13⁽⁵⁾
Options exercisable	4,542,233	\$0.198⁽⁵⁾	3.05⁽⁵⁾

⁽¹⁾ Vested 100% on grant date;

⁽²⁾ 250,000 options vested 100% on grant date; 70,000 options vested 50% on grant date and 50% on July 15, 2020; 300,000 options vested 33% on grant date and 33% every year thereafter;

⁽³⁾ 240,000 options vested 100% on grant date; 300,000 options vested 33% on grant date and 33% every year thereafter;

⁽⁴⁾ Vested 33% on grant date and 33% every year thereafter; and

⁽⁵⁾ Weighted average

Option activity was as follows:

	Number of options	Weighted average exercise price
Balance at June 30, 2019	-	-
Granted	5,942,234	\$0.185
Balance at September 30 and June 30, 2020	5,924,234	\$0.185

The Company used the Black-Scholes option pricing model to determine the fair value of the options granted for the year ended June 30, 2020. The following weighted average assumptions were used:

Risk-free interest rate	1.49%
Expected dividend yield	0.00%
Expected stock price volatility	100%
Expected option life in years	4.07
Forfeiture rate	0.00%

During the three months ended September 30, 2020, the Company recorded \$29,548 (2019 – \$51,270) in relation to the vesting of the stock options.

(e) Restricted share units

On April 8, 2020, the Company implemented a Restricted Share Unit Plan (the “RSU Plan”). Pursuant to the RSU Plan, the Company will grant restricted share units (“RSUs”) to directors, officers, employees

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and consultants for services, provided that the maximum number of common shares made available for issuance pursuant to the RSU Plan shall be determined from time to time by the Board, but in any case, shall not exceed 20% of the common shares issued and outstanding from time to time, less any common shares reserved for issuance under all other share compensation arrangements, subject to adjustments as provided in the RSU Plan. The settlement and method of settlement and vesting terms of the RSUs granted under the RSU Plan will be determined by the Board of Directors.

RSUs activity was as follows:

	Equity settled
Balance at June 30, 2019	-
Granted ⁽¹⁾	4,140,000
Balance at June 30, 2020	4,140,000
Granted ⁽¹⁾	1,200,000
Balance at September 30, 2020	5,340,000
Balance vested at September 30, 2020	-

⁽¹⁾ Vest 33% on December 31, 2021 and 33% every year thereafter; and

⁽²⁾ 200,000 RSUs vest on September 30, 2021; 1,000,000 RSUs vest 33% on December 31, 2021 and 33% every year thereafter.

The estimated fair value of the equity settled RSUs granted during the three months ended September 30, 2020 was \$148,000 (2020 – \$nil) and was based on the fair market value of one common share on the date of issuance, which will be recognized as an expense over the vesting period of the RSUs.

During the three months ended September 30, 2020, the Company recorded \$66,643 (2019 – \$nil) in relation to the vesting of equity settled RSUs.

8. RESEARCH AND DEVELOPMENT

Details of research and development expenses are as follows:

	Three months ended September 30,	
	2020	2019
WiFi-based weapons detection - third party research and development	\$ 576,310	\$ 338,538
WiFi-based weapons detection – in-house research and development	98,022	-
Pepper spray formulation - third party research and development	-	28,374
	\$ 674,332	\$ 366,912

9. NATIONAL RESEARCH COUNCIL IRAP INNOVATION ASSISTANCE PROGRAM

On April 17, 2020, the Government of Canada announced \$250 million in funding for the National Research Council IRAP Innovation Assistance Program (“IRAP IAP”) to assist Canadian small and medium-sized enterprises (“SMEs”) pursuing technology-driven innovation. SMEs which were unable to secure funding under the Canada Emergency Wage Subsidy were eligible for financial assistance under IRAP IAP.

For the three months ended September 30, 2020, the Company received an IRAP IAP wage subsidy of \$12,197 (2019 - \$nil).

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10. RELATED PARTY TRANSACTIONS

The Company's related parties consist of key management personnel and companies owned directly or indirectly by key management personnel.

Key management personnel include persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers.

During the three months ended September 30, 2020, the Company incurred management and director fees of \$85,000 (2019 – \$121,109) to the Company's key management personnel.

During the three months ended September 30, 2020, the Company incurred research and development fees of \$62,502 (2019 – \$nil) to the Company's key management personnel.

During the three months ended September 30, 2020, the Company incurred management and director fees of \$48,000 (2019 – \$45,000) to companies owned directly or indirectly by key management personnel of the Company.

During the three months ended September 30, 2020, \$11,900 (2019 – \$51,270) and \$54,412 (2019 – \$nil) were included in share-based payments for stock options and RSU's granted to related parties, respectively.

As at June 30, 2020, accounts payable and accrued liabilities include \$22,450 (June 30, 2020 – \$53,750) payable to key management personnel and companies owned directly or indirectly by key management personnel.

Amounts due to related parties included in accounts payable and accrued liabilities are unsecured, non-interest-bearing and are without fixed terms of repayment.

11. RISK MANAGEMENT

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk for the Company is associated with its cash and cash equivalents. The Company is not exposed to significant credit risk as its cash and cash equivalents are placed with a major Canadian financial institution.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company is not exposed to significant liquidity risk.

As at September 30, 2020, the Company had a cash balance of \$666,931 (June 30, 2020 – \$1,548,903) available to apply against short-term business requirements and current liabilities of \$901,543 (June 30, 2020 – \$601,449). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of September 30, 2020.

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(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk. The Company is not exposed to significant market risk.

12. CAPITAL MANAGEMENT

The Company has recently commenced operations. It has not yet determined whether it will be successful in its endeavours and does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of common shares. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern.

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's general operations. To effectively manage the Company's capital requirements, the Company monitors expenses and overhead to ensure costs and commitments are being paid.

There were no changes to the Company's approach to capital management during the three months ended September 30, 2020.

13. SEGMENTED INFORMATION

The Company has one operating segment, technology development. All assets of the Company are located in Canada.

14. SUBSEQUENT EVENT

On October 6, 2020, the Company announced a non-brokered private placement of up to 10 million units (the " **Units** ") at a price of \$0.10 per Unit for gross proceeds of up to \$1,000,000 (the " **Offering** "). Each Unit consists of one common share of the Company (a " **Share** ") and one Share purchase warrant (a " **Warrant** "). Each Warrant will entitle the holder to acquire one additional Share at a price of \$0.20 per Share, for a period of 24 months from the date of issuance.