

**FIRST RESPONDER TECHNOLOGIES INC.**

**Condensed Consolidated Interim Financial Statements  
For the Nine Months Ended March 31, 2021 and 2020  
(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)**

	March 31, 2021	June 30, 2020
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents (note 5)	\$ 45,030	\$ 1,548,903
Receivables	43,365	89,056
Prepaid expenses and deposits	130,823	242,206
	219,218	1,880,165
Equipment	50,820	71,631
Intangible assets (note 6)	1,760,742	2,155,572
	1,811,562	2,227,203
	\$ 2,030,780	\$ 4,107,368
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (note 11)	\$ 1,453,190	\$ 601,449
	1,453,190	601,449
Loan (note 7)	308,615	-
	1,761,805	601,449
<b>Shareholders' Equity</b>		
<b>Common shares</b> (note 8)	10,329,385	10,329,385
<b>Reserves</b>	1,084,849	886,533
<b>Deficit</b>	(11,145,259)	(7,709,999)
	268,975	3,505,919
	\$ 2,030,780	\$ 4,107,368

Approved on behalf of the Board:

<u>“Kulwant Malhi” (signed)</u>	<u>“Michael Kelly” (signed)</u>
Director	Director

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

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

	Three months ended March 31,		Nine months ended March 31,	
	2021	2020	2021	2020
<b>Operating expenses</b>				
Advertising and promotions	\$ 28,727	\$ 336,530	\$ 89,858	\$ 778,457
Advisory fees	140,727	69,734	225,283	165,456
Amortization and depreciation (note 6)	156,120	311,830	420,960	461,050
Financing cost (note 7)	6,864	-	6,864	-
Investor relations	18,000	350,136	205,664	524,206
Management and director fees (note 11)	139,244	108,000	505,126	329,000
Office and general expenses	34,750	26,655	101,331	46,341
Patents and licensing expenses	(4,426)	-	12,195	16,762
Professional fees	137,311	365,561	333,321	595,761
Rent	27,000	9,000	80,000	25,000
Research and development (note 9)	160,618	215,598	1,479,712	1,000,672
Share based compensation	-	582,493	198,316	647,746
Transfer agent and filing fees	4,729	32,820	30,019	47,989
Travel	-	62,899	-	181,422
	(849,664)	(2,471,256)	(3,688,649)	(4,819,862)
<b>Other items</b>				
Foreign exchange gain (loss)	73,482	(9,731)	112,995	(12,667)
Interest income	-	-	3,129	-
Gain on interest-free loan (note 7)	137,265	-	137,265	-
Impairment of intangible asset	-	(487,172)	-	(487,172)
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (638,917)</b>	<b>\$ (2,968,159)</b>	<b>\$ (3,435,260)</b>	<b>\$ (5,319,701)</b>
<b>Basic and diluted loss per share</b>				
	<b>\$ (0.01)</b>	<b>\$ (0.05)</b>	<b>\$ (0.06)</b>	<b>\$ (0.12)</b>
<b>Weighted average number of common shares outstanding</b>				
	<b>61,881,718</b>	<b>56,905,075</b>	<b>61,881,718</b>	<b>45,245,513</b>

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)**
**(Unaudited)**

	Common Shares			Reserves	Deficit	Total Equity
	Number Outstanding	Amount \$	Subscriptions \$			
<b>Balance, June 30, 2019</b>	34,277,600	1,675,400	1,179,163	-	(566,817)	2,287,746
Shares issued - initial public offering, net of share issue costs (note 6)	13,974,186	4,472,891				4,472,891
Shares issued for licensing agreement (notes 5 and 6)	6,952,322	1,911,889				1,911,889
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-based payments	-	-	-	647,746	-	647,746
Net loss for the period	-	-	-	-	(5,319,701)	(5,319,701)
<b>Balance, March 31, 2020</b>	61,881,718	10,487,343	-	647,746	(5,886,518)	5,248,571
<b>Balance, June 30, 2020</b>	61,881,718	10,329,385	-	886,533	(7,709,999)	3,505,919
Share-based payments	-	-	-	198,316	-	198,316
Net loss for the period	-	-	-	-	(3,435,260)	(3,435,260)
<b>Balance, March 31, 2021</b>	61,881,718	10,329,385	-	1,084,849	(11,145,259)	268,975

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)**

	<b>For the nine months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Operating activities</b>		
Net loss for the period	\$ (3,435,260)	\$ (5,319,701)
Items not affecting cash:		
Amortization and depreciation	420,960	461,050
Financing cost	6,864	-
Foreign exchange (gain) loss	(112,995)	12,667
Gain on interest-free loan	(137,265)	-
Share-based compensation	198,316	647,746
Impairment of intangible asset	-	487,172
Change in working capital balances:		
Receivables	45,691	(126,579)
Prepaid expenses and deposits	111,383	(481,242)
Accounts payable and accrued liabilities	964,736	971
<b>Cash used in operating activities</b>	<b>(1,937,570)</b>	<b>(4,317,916)</b>
<b>Investing activities</b>		
Acquisition of equipment	(5,319)	(84,640)
<b>Cash used in investing activities</b>	<b>(5,319)</b>	<b>(84,640)</b>
<b>Financing activities</b>		
Common shares issued – net of share issue costs	-	6,915,054
Common share subscriptions	-	(1,148,163)
Deferred financing costs	-	22,500
Proceeds from loan	439,016	-
<b>Cash provided by financing activities</b>	<b>439,016</b>	<b>5,789,391</b>
<b>Outflow of cash</b>	<b>(1,503,873)</b>	<b>1,386,835</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>1,548,903</b>	<b>1,216,210</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 45,030</b>	<b>\$ 2,603,045</b>
<b>Supplemental Cash Flow Information</b>		
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 Nine Months Ended March 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

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### 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.

On November 27, 2020, the Company entered into a letter of intent (the "LOI"), which sets out the basic terms and conditions for the acquisition (the "Acquisition") by the Company of all of the issued and outstanding common shares in the capital of Airbeam Wireless Technologies Inc. ("Airbeam") in exchange for common shares in the capital of the Company. The Acquisition is expected to be structured as a reverse takeover. Upon successful completion of the Acquisition, it is anticipated that the resulting entity will continue the combined businesses of Airbeam and First Responder under a name to be determined by the parties.

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. As at March 31, 2021, the Company had not yet achieved profitable operations, had an accumulated deficit of \$11,145,259 (June 30, 2020 – \$7,709,999), had a working capital deficit of \$1,542,587 (June 30, 2020 – working capital of \$1,278,716), for the nine months then ended incurred a net loss of \$3,435,260 (2020 – \$5,319,701) and is expected to incur further losses in the development of its business, all of which may cast significant doubt about its ability to continue as a going concern. 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.

### 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 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.

# FIRST RESPONDER TECHNOLOGIES INC.

## Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended March 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

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(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 May 28, 2021.

### 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 March 31, 2021 and June 30, 2020 are as follows:

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	March 31, 2021	June 30, 2020
Cash held in bank accounts	\$ 9,530	\$ 23,903
Term deposits	35,500	1,525,000
	\$ 45,030	\$ 1,548,903

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**FIRST RESPONDER TECHNOLOGIES INC.****Notes to the Condensed Consolidated Interim Financial Statements****For the Nine Months Ended March 31, 2021 and 2020****(Expressed in Canadian Dollars)****(Unaudited)****6. INTANGIBLE ASSETS**

	NIH License Assignment Agreement	Rutgers License Assignment Agreement	Total
<b>Cost</b>			
Balance, June 30, 2019	\$ 608,972	\$ 882,688	\$ 1,491,660
Additions	-	1,595,668	1,595,668
Impairment	(608,972)	-	(608,972)
Balance, March 31, 2021 and June 30, 2020	\$ -	\$ 2,478,356	\$ 2,478,356
<b>Accumulated Amortization</b>			
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	-	394,830	394,830
Balance, March 31, 2021	\$ -	\$ 717,614	\$ 717,614
<b>Carrying Amounts</b>			
June 30, 2020	\$ -	\$ 2,155,572	\$ 2,155,572
March 31, 2021	\$ -	\$ 1,760,742	\$ 1,760,742

**7. LOAN**

On October 10, 2020, the Company entered into a Regional Relief and Recovery Fund (“RRRF”) Agreement with Western Economic Diversification Canada (the “RRRF Agreement”). The RRRF provides assistance to businesses and communities that may require additional support to cope with and recover from the COVID-19 pandemic and is part of Canada’s COVID-19 Economic Response Plan.

During the nine months ended March 31, 2021, the RRRF Agreement provided the Company with an interest-free, repayable contribution from the government of \$439,016 which is to be repaid in monthly instalments of \$12,200 commencing January 31, 2023, and ending December 31, 2025.

During the nine months ended March 31, 2021, the Company recognized a gain and discounted the RRRF loan by \$137,265 as a result of the imputed interest benefit received from the interest-free RRRF loan.

	2021
Additions	\$ 137,265
Accretion	(6,864)
Unamortized discount, March 31	\$ 130,401

The total amount of undiscounted future cash flows required to settle the RRRF obligation as at March 31, 2021, was \$439,016. The future cash flows have been discounted using a rate of 8.50%.

## FIRST RESPONDER TECHNOLOGIES INC.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended March 31, 2021 and 2020

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#### 8. SHAREHOLDERS' EQUITY

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

Nine months ended March 31, 2021

No shares were issued during the nine months ended March 31, 2021.

Nine months ended March 31, 2020

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.

On January 14, 2020 (the "Completion Date") the Company completed its IPO with the Canadian Securities Exchange ("CSE") of 13,974,186 units ("Unit") issued at a price of \$0.35 per Unit. The IPO generated aggregate gross proceeds of \$4,890,965.

Each Unit is comprised of one common share of the Company (each a "Common Share") and one-half of one common share purchase warrant (each whole warrant being a "Warrant"). Each Warrant is exercisable into one Common Share at a price of \$0.50 per Common Share for a period of twenty-four months from the Completion Date.

Pursuant to an agency agreement between the Company and PI Financial Corp. (the "Agent"), the Agent received a cash commission of \$391,277, was paid a corporate finance fee of \$25,000, was reimbursed \$1,797 for expenses, and was granted 1,117,934 non-transferable agent Warrants to purchase Common Shares at a price of \$0.50 per Common Share, exercisable for a period of 24 months from the Completion Date.

On February 6, 2020, the Company issued 6,952,322 common shares with a fair value of \$1,911,889 to Rutgers as per terms of the Rutgers License Assignment Agreement.

**FIRST RESPONDER TECHNOLOGIES INC.**

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended March 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

## (c) Common share purchase warrants

As at March 31, 2021 and June 30, 2020, the Company had the following warrants outstanding:

Expiry date	March 31, 2021			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	0.36	3,488,802	\$0.50	1.11
January 14, 2022	6,987,093	\$0.50	0.79	6,987,093	\$0.50	1.54
January 14, 2022	1,117,934 <sup>(1)</sup>	\$0.50	0.79	1,117,934 <sup>(1)</sup>	\$0.50	1.54
	<b>11,593,829</b>	<b>\$0.50<sup>(2)</sup></b>	<b>0.66<sup>(2)</sup></b>	<b>11,593,829</b>	<b>\$0.50<sup>(2)</sup></b>	<b>1.41<sup>(2)</sup></b>

<sup>(1)</sup> Agent warrants<sup>(2)</sup> Weighted average

Warrant activity was as follows:

	Number of warrants	Exercise price
<b>Balance at June 30, 2019</b>	-	-
Issued	11,593,829	\$0.50
<b>Balance at March 31, 2021 and June 30, 2020</b>	<b>11,593,829</b>	<b>\$0.50</b>

## (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.

**FIRST RESPONDER TECHNOLOGIES INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Nine Months Ended March 31, 2021 and 2020**  
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As at March 31, 2021, the Company had the following options outstanding:

Expiry date	March 31, 2021		
	Number of options	Exercise Price	Remaining life (years)
January 15, 2022 <sup>(1)</sup>	30,000	\$0.50	0.79
January 15, 2023 <sup>(1)</sup>	1,000,000	\$0.15	1.79
January 15, 2023 <sup>(2)</sup>	620,000	\$0.35	1.79
January 15, 2023 <sup>(3)</sup>	540,000	\$0.40	1.79
January 15, 2023 <sup>(1)</sup>	300,000	\$0.50	1.79
January 20, 2023 <sup>(1)</sup>	252,234	\$0.40	1.81
July 25, 2024 <sup>(4)</sup>	3,000,000	\$0.05	3.32
January 15, 2025 <sup>(1)</sup>	200,000	\$0.50	3.80
<b>Options outstanding</b>	<b>5,942,234</b>	<b>\$0.185<sup>(5)</sup></b>	<b>2.63<sup>(5)</sup></b>
<b>Options exercisable</b>	<b>4,542,233</b>	<b>\$0.198<sup>(5)</sup></b>	<b>2.55<sup>(5)</sup></b>

<sup>(1)</sup> Vested 100% on grant date;

<sup>(2)</sup> 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;

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

<sup>(4)</sup> Vested 33% on grant date and 33% every year thereafter; and

<sup>(5)</sup> Weighted average

Option activity was as follows:

	Number of options	Weighted average exercise price
<b>Balance at June 30, 2019</b>	-	-
Granted	5,942,234	\$0.185
<b>Balance at March 31, 2021 and June 30, 2020</b>	<b>5,924,234</b>	<b>\$0.185</b>

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 nine months ended March 31, 2021, the Company recorded \$49,011 (2020 – \$647,746) in relation to the vesting of the stock options.

# FIRST RESPONDER TECHNOLOGIES INC.

## Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended March 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### (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 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
<b>Balance at June 30, 2019</b>	-
Granted <sup>(1)</sup>	4,140,000
<b>Balance at June 30, 2020</b>	<b>4,140,000</b>
Granted <sup>(1)</sup>	1,200,000
<b>Balance at March 31, 2021</b>	<b>5,340,000</b>
<b>Balance vested at March 31, 2021</b>	-

<sup>(1)</sup> 33% vest on December 31, 2021 and 33% every year thereafter; and

<sup>(2)</sup> 200,000 RSUs vest on December 31, 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 nine months ended March 31, 2021 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 nine months ended March 31, 2021, the Company recorded \$149,305 (2020 – \$nil) in relation to the vesting of equity settled RSUs.

## 9. RESEARCH AND DEVELOPMENT

Details of research and development expenses are as follows:

	Three months ended March 31,		Nine months ended March 31,	
	2021	2020	2021	2020
WiFi-based weapons detection – third party research and development	\$ 90,433	\$ 140,346	\$ 1,202,769	\$ 759,015
WiFi-based weapons detection – in-house research and development	70,185	73,002	276,943	205,033
Pepper spray formulation – third party research and development	-	250	-	28,624
Pepper spray formulation – in-house research and development	-	2,000	-	8,000
	<b>\$ 160,618</b>	<b>\$ 215,598</b>	<b>\$ 1,479,712</b>	<b>\$ 1,000,672</b>

## **FIRST RESPONDER TECHNOLOGIES INC.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

**For the Nine Months Ended March 31, 2021 and 2020**

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**(Unaudited)**

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#### **10. 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.

During the nine months ended March 31, 2021, the Company received an IRAP IAP wage subsidy of \$98,753 (2020 - \$nil).

There is no requirement for the Company to repay any contributions received under IRAP IAP. Amounts received under this program are netted against management and director fees in the statement of loss and comprehensive loss.

#### **11. 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 nine months ended March 31, 2021, the Company incurred management and director fees of \$240,500 (2020 – \$206,000) to the Company's key management personnel.

During the nine months ended March 31, 2021, the Company incurred research and development fees of \$201,258 (2020 – \$185,114) to the Company's key management personnel.

During the nine months ended March 31, 2021, the Company incurred management and director fees of \$139,000 (2020 – \$139,500) to companies owned directly or indirectly by key management personnel of the Company.

During the nine months ended March 31, 2021, \$23,801 (2020 – \$121,739) and \$122,995 (2020 – \$nil) were included in share-based payments for stock options and RSU's granted to related parties, respectively.

As at March 31, 2021, accounts payable and accrued liabilities include \$6,300 (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.

#### **12. 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.

## **FIRST RESPONDER TECHNOLOGIES INC.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

**For the Nine Months Ended March 31, 2021 and 2020**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

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(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 March 31, 2021, the Company had a cash balance of \$45,030 (June 30, 2020 – \$1,548,903) available to apply against short-term business requirements and current liabilities of \$1,490,868 (June 30, 2020 – \$601,449). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of March 31, 2021.

(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.

### **13. 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 nine months ended March 31, 2021.

### **14. SEGMENTED INFORMATION**

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

### **15. COVID-19**

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness.

At the time these condensed consolidated interim financial statements were prepared, the COVID-19 pandemic had 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

**FIRST RESPONDER TECHNOLOGIES INC.****Notes to the Condensed Consolidated Interim Financial Statements****For the Nine Months Ended March 31, 2021 and 2020****(Expressed in Canadian Dollars)****(Unaudited)**

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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.