

FIRST RESPONDER TECHNOLOGIES INC.

**Consolidated Financial Statements
For the years ended June 30, 2021 and 2020
(Expressed in Canadian Dollars)**

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF FIRST RESPONDER TECHNOLOGIES INC.

Opinion

We have audited the consolidated financial statements of First Responder Technologies Inc. (the "Company"), which comprise:

- the consolidated statements of financial position as at June 30, 2021 and 2020;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity (deficiency) for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2021 and 2020, and its consolidated financial performance and consolidated 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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$5,119,765 during the year ended June 30, 2021 and, as of that date, had a deficit of \$12,829,764 and a working capital deficit of \$1,401,650. 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.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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 audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. 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.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

Auditors' Responsibilities for the Audit of the Consolidated 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 auditors' 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 judgment and maintain professional skepticism throughout the audit. 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 audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ♦ Evaluate the appropriateness of accounting policies 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 the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the 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.

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- ♦ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Michelle Chi Wai So.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
October 28, 2021

Vancouver

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

As at June 30,	2021	2020
Assets		
Current		
Cash and cash equivalents (note 4)	\$ 53,657	\$ 1,548,903
Receivables	24,503	89,056
Prepaid expenses and deposits	57,221	242,206
	135,381	1,880,165
Equipment (note 5)	41,670	71,631
Intangible assets (note 6)	-	2,155,572
	41,670	2,227,203
	\$ 177,051	\$ 4,107,368
Liabilities and Shareholders' Equity (Deficiency)		
Liabilities		
Current		
Accounts payable and accrued liabilities (note 11)	\$ 1,537,031	\$ 601,449
Loan (note 7)	337,405	-
	1,874,436	601,449
Shareholders' Equity (Deficiency)		
Common shares (note 8)	10,329,385	10,329,385
Reserves	802,994	886,533
Deficit	(12,829,764)	(7,709,999)
	(1,697,385)	3,505,919
	\$ 177,051	\$ 4,107,368

Approved on behalf of the Board:

"Kulwant Malhi" (signed)

Director

"Michael Kelly" (signed)

Director

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

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

For the years ended June 30,	2021	2020
Operating expenses		
Advertising and promotions	\$ 86,431	\$ 936,643
Advisory and director fees (note 11)	166,583	165,882
Amortization and depreciation (notes 5 and 6)	574,920	420,234
Financing cost (note 7)	11,292	-
Investor relations	205,664	916,149
Management fees (notes 10 and 11)	365,344	459,212
Office and general expenses	105,587	94,677
Patents and licensing expenses	12,195	16,762
Professional fees	486,545	821,929
Rent (note 11)	98,000	39,000
Research and development (notes 9 and 11)	1,522,983	1,804,470
Share-based payments (recovery) (note 8)	(83,539)	713,576
Transfer agent and filing fees	34,246	66,567
Travel	-	197,839
	(3,586,251)	(6,652,940)
Other items		
Foreign exchange loss	(33,700)	(7,189)
Interest income	3,215	4,119
Gain on interest-free loan (note 7)	112,903	-
Impairment of intangible asset (note 6)	(1,615,932)	(487,172)
Net loss and comprehensive loss for the year	\$ (5,119,765)	\$ (7,143,182)
Basic and diluted loss per share	\$ (0.08)	\$ (0.14)
Weighted average number of common shares outstanding	61,881,718	49,381,837

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

FIRST RESPONDER TECHNOLOGIES INC.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars)

For the years ended June 30, 2021 and 2020

	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 - initial public offering, net of share issue costs (note 8)	13,974,186	4,299,934	-	172,957	-	4,472,891
Shares issued for licensing agreement (notes 6 and 8)	6,952,322	1,911,888	-	-	-	1,911,888
Shares issued – private placements	6,977,610	2,442,163	(1,179,163)	-	-	1,263,000
Shares cancelled (300,000)	(300,000)	-	-	-	-	-
Share-based payments	-	-	-	713,576	-	713,576
Net loss for the year	-	-	-	-	(7,143,182)	(7,143,182)
Balance, June 30, 2020	61,881,718	10,329,385	-	886,533	(7,709,999)	3,505,919
Share-based payments (recovery)	-	-	-	(83,539)	-	(83,539)
Net loss for the year	-	-	-	-	(5,119,765)	(5,119,765)
Balance, June 30, 2021	61,881,718	10,329,385	-	802,994	(12,829,764)	(1,697,385)

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

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

For the years ended June 30,	2021	2020
Operating activities		
Net loss for the year	\$ (5,119,765)	\$ (7,143,182)
Items not affecting cash:		
Amortization and depreciation	574,920	420,234
Financing cost	11,292	-
Foreign exchange loss	33,700	-
Gain on interest-free loan	(112,903)	-
Share-based payments (recovery)	(83,539)	713,576
Impairment of intangible asset	1,615,932	487,172
Change in working capital balances:		
Receivables	64,553	(60,779)
Prepaid expenses and deposits	184,985	(78,414)
Accounts payable and accrued liabilities	901,882	434,266
Cash used in operating activities	(1,928,943)	(5,227,127)
Investing activities		
Acquisition of equipment	(5,319)	(87,881)
Acquisition of intangible assets	-	(141,690)
Cash used in investing activities	(5,319)	(229,571)
Financing activities		
Common shares issued – net of share issue costs	-	5,758,391
Common share subscriptions	-	31,000
Proceeds from loan	439,016	-
Cash provided by financing activities	439,016	5,789,391
(Outflow) / inflow of cash	(1,495,246)	332,693
Cash and cash equivalents, beginning of the year	1,548,903	1,216,210
Cash and cash equivalents, end of the year	\$ 53,657	\$ 1,548,903
Supplemental Cash Flow Information		
Shares issued for intangible assets	\$ -	\$ 1,911,888
Interest and taxes paid	\$ -	\$ -

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

FIRST RESPONDER TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

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. On January 14, 2020, the Company completed its initial public offering ("IPO") and is now publicly traded on the Canadian Securities Exchange ("CSE") under the ticker WPN. 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. On March 2, 2021, the Company entered into a definitive agreement with Airbeam to complete the Acquisition which was then terminated on March 14, 2021.

These consolidated 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 June 30, 2021, the Company has a deficit of \$12,829,764 (2020 – \$7,709,999), a working capital deficit of \$1,401,650 (2020 – working capital of \$1,278,716) and, for the year then ended, incurred a net loss of \$5,119,765 (2020 – \$7,143,182). 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 consolidated 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.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These consolidated financial statements were prepared in accordance with International Financial Reporting Standard ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

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

FIRST RESPONDER TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (continued)

(b) Basis of presentation

These consolidated 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 consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Approval of the consolidated financial statements

These consolidated financial statements were authorized for issue by the Audit Committee and Board of Directors on October 28, 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiary. Subsidiaries are those entities over which the Company has the power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns. The financial accounts of the subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances are eliminated on consolidation.

The Company has 100% ownership in its sole subsidiary, First Responder Technologies (USA) Inc. which was incorporated on June 17, 2020 in the state of Delaware, USA.

When the Company ceases to control a subsidiary, assets, liabilities and non-controlling interests of the subsidiary are derecognized at their carrying amounts at the date when control is lost. Investments retained in the former subsidiary are recognized at their fair value and any gain or loss resulting from deconsolidation is recorded through profit or loss.

(b) Functional and presentation currency

The functional currency of the Company and its subsidiary is the Canadian dollar ("CAD"). Accounts denominated in currencies other than the Canadian dollar have been translated as follows:

- Monetary assets and liabilities at the exchange rate at the consolidated statements of financial position date;
- Non-monetary assets and liabilities at the historical exchange rates, unless such items are carried at fair value, in which case they are translated at the date when the fair value was determined;
- Shareholders' equity items at historical exchange rates; and
- Revenue and expense items at the rate of exchange in effect on the transaction date.

Exchange gains and losses arising from translation to the Company's presentation currency are recorded as foreign exchange loss (gain), which is included in profit or loss.

FIRST RESPONDER TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with financial institutions and a cashable guaranteed investment certificate that are readily convertible into known amount of cash and subject to an insignificant risk of change in value.

(d) Financial instruments

(i) Financial assets

Initial recognition and measurement

A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortized cost, measured at fair value through profit or loss or measured at fair value through other comprehensive income. The Company recognizes a financial asset when it becomes party to the contractual provisions of the instrument.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss are carried in the consolidated statements of financial position at fair value with changes in fair value therein, recognized in the consolidated statements of comprehensive loss. The Company classifies cash and cash equivalents as fair value through profit or loss.

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment allowance, if:

- the asset is held within a business whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

There are no financial assets classified as measured at amortized cost.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income remain within accumulated other comprehensive income when the financial instrument is derecognized or its fair value substantially decreases.

There are no financial assets classified as measured at FVTOCI.

FIRST RESPONDER TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial instruments (continued)

(i) Financial assets (continued)

Derecognition

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets is derecognized when:

- the contractual rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable. The Company's financial liabilities include accounts payable and accrued liabilities and the loan, both of which are classified as financial liabilities measured at amortized cost.

(iii) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for assets or liabilities that are not based on observable market data.

The Company's financial instruments classified as Level 1 in the fair value hierarchy are cash and cash equivalents and accounts payable and accrued liabilities. Their carrying values approximate the fair values due to short-term maturity of these instruments. The loan is classified as level 3.

FIRST RESPONDER TECHNOLOGIES INC.

**Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2021 and 2020
(Expressed in Canadian Dollars)**

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Equipment

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company.

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses.

The Company utilizes the straight-line method of depreciation. The depreciation rates applicable to each category of equipment are as follows:

Exhibit equipment	straight-line basis	3 years
Computer equipment	straight-line basis	2 years
Research & development equipment	straight-line basis	2 years

Where an item of equipment comprises significant components with different useful lives, the components are accounted for as separate items of equipment.

The depreciation method, useful life and residual values are assessed annually. An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statements of comprehensive loss.

(f) Intangible assets

Licenses acquired separately are measured on initial recognition at fair value, which includes the estimated fair value of any contingent consideration. Subsequent changes to the value of contingent consideration on settlement are capitalized to the associated intangible asset.

Following initial recognition, licenses with finite useful lives are carried at cost less any accumulated amortization and accumulated impairment losses, if any. The Company amortizes its licenses over five years using the straight-line basis.

At each reporting date, the Company assesses whether there is objective evidence that the licenses are impaired. If such evidence exists, the Company will determine the recoverable value and recognize an impairment loss, if necessary. The loss is the difference between the carrying value and recoverable value, which is the higher of fair value less costs of disposal and value in use. The carrying amount of the licenses is reduced by this amount. Impairment losses are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event or condition occurring after the impairment was recognized. However, the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized.

FIRST RESPONDER TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Common shares

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments. Common shares issued for consideration other than cash are valued at the fair value of the assets received or the services rendered. If the fair value of the assets received or services rendered cannot be reliably measured, common shares issued for consideration will be valued at their fair value on the date of issuance. Where the Company issued common shares and warrants together as units, value is allocated first to share capital based on the market value of common shares on the date of issue, with any residual value from the proceeds being allocated to the warrants.

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are expensed.

(h) Share-based payments

The Company has a stock option plan and a restricted share unit plan which are described in note 8(d) and 8(e). Equity-settled share-based payments to employees and others providing similar services are measured at fair value of the equity instruments at the grant date. The fair value of stock options is measured using Black Scholes option pricing model. Restricted share units are measured using the fair value of the shares on the date of grant. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to reserve.

Reserves consists of the fair value of stock options, warrants and restricted share units granted since inception, less amounts transferred to share capital for exercised stock options and warrants. If granted options or warrants vest and then subsequently expire or are forfeited, no reversal of reserve is recognized.

(i) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

FIRST RESPONDER TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Income taxes

Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, a provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in income in the period in which the change occurs.

Deferred tax assets or liabilities, arising from temporary differences between the tax and accounting values of assets and liabilities, are recorded based on tax rates expected to be enacted when these differences are reversed. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recovered. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets, as well as in the amounts recognized in income in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income both in the period of change, which would include any impact on cumulative provisions, and in future periods.

(k) Research and development

The Company incurs costs on activities that relate to research and development of new products. Research and development costs are expensed, except in cases where development costs meet certain identifiable criteria for deferral, including technical and economic feasibility. Development costs are capitalized only if the expenditures can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Deferred development costs are amortized over the life of related commercial production, or in the case of serviceable property and equipment, are included in the appropriate property group and are depreciated over its estimated useful life. The Company nets investment tax credits and government assistance against applicable expenditures when there is reasonable assurance that the income tax credits will be realized. As at June 30, 2021, the Company has not capitalized any research and development costs.

(l) Impairment of non-financial assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

FIRST RESPONDER TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Critical accounting estimates and assumptions made by management include, but are not limited to, the following:

Recoverability of asset carrying values

Determining the amount of impairment of intangible assets requires an estimation of the recoverable amount, which is defined as the higher of fair value less the cost of disposal or value in use. Many factors used in assessing recoverable amounts are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period.

Useful lives of intangible assets and equipment

Amortization and depreciation is recorded on the straight-line basis based upon management's estimate of the useful life and residual value. The estimates are reviewed at least annually and are updated if expectations change as a result of the technical obsolescence or legal and other limits to use. A change in the useful life or residual value will impact the reported carrying value of the intangible assets and equipment resulting in a change in related amortization or depreciation expense.

Share-based payments

The Company has applied estimates with respect to the valuation of shares issued for non-cash consideration. Shares are valued at the fair value of the equity instruments granted at the date the Company receives the goods or services for share-based payments made to those other than employees or others providing similar services.

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted for share-based payments made to employees or others providing similar services. Estimating fair value for share-based payment transactions requires determining the most appropriate 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 fair value of the underlying common shares, the expected life of the share option or warrant, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are discussed in note 8.

FIRST RESPONDER TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Use of estimates and judgments (continued)

Discount rate on loan

The Company has applied estimates with respect to the discount rate utilized in calculating the present value of future cash flows for the loan. Management estimates the discount rate based on comparable market rate loans with third parties.

Significant areas requiring the use of management's judgments include:

Going concern

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties exist related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Treatment of development costs

Costs to develop products are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 *Intangible Assets* are met. Those criteria require that the product is technically and economically feasible, which management assessed based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible. The Company has not capitalized any development costs at June 30, 2021.

Treatment of acquired intangible assets

Consideration paid in the acquisition of intangible assets is capitalized to the extent that the definition of an intangible asset and the criteria for recognition as intangible assets in IAS 38 *Intangible Assets* are met. Those criteria require that the intangible asset be identifiable, the Company must have control over it, and it must provide future economic benefits. Management considers these factors in aggregate and applies significant judgment to determine whether the intangible asset should be recognized in the statements of financial position.

Recoverability of intangible assets and equipment

The Company assesses at each reporting date if intangibles and equipment assets have indicators of impairment. In determining whether intangible assets are impaired, the Company assesses certain criteria including observable decreases in value, significant changes with adverse effect on the entity, a change in market interest rates, evidence of technological obsolescence, and future plans.

Recoverability of deferred tax assets

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make 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 the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the financial statements.

FIRST RESPONDER TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

4. 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 no fixed maturity date and an interest rate of 0.50%.

The Company's cash and cash equivalents at June 30, 2021 and 2020 are as follows:

	June 30, 2021	June 30, 2020
Cash held in bank accounts	\$ 28,657	\$ 23,903
Term deposits	25,000	1,525,000
	\$ 53,657	\$ 1,548,903

5. EQUIPMENT

	Exhibit Equipment	Computer Equipment	Research & Development Equipment	Total
Cost				
Balance, June 30, 2019	\$ -	\$ -	\$ -	-
Additions	59,337	26,761	1,783	87,881
Balance, June 30, 2020	59,337	26,761	1,783	87,881
Additions	-	5,319	-	5,319
Balance, June 30, 2021	\$ 59,337	\$ 32,080	\$ 1,783	\$ 93,200
Accumulated Amortization				
Balance, June 30, 2019	\$ -	\$ -	\$ -	-
Amortization	9,000	6,900	350	16,250
Balance, June 30, 2020	9,000	6,900	350	16,250
Amortization	19,680	14,760	840	35,280
Balance, June 30, 2021	\$ 28,680	\$ 21,660	\$ 1,190	\$ 51,530
Carrying Amounts				
June 30, 2021	\$ 30,657	\$ 10,420	\$ 593	\$ 41,670
June 30, 2020	\$ 50,337	\$ 19,861	\$ 1,433	\$ 71,631

FIRST RESPONDER TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

6. INTANGIBLE ASSETS

(a) The National Cancer Institute and the National Institutes of Health (“NIH”)

On February 14, 2019, Bullrun Capital Inc. (“Bullrun Capital”), a company owned directly by key management personnel, entered into a direct licensing agreement with NIH for a nonexclusive worldwide license for new pepper spray formulation technology (the “NIH License Agreement”).

On February 18, 2019, the Company entered into a license assignment agreement with Bullrun Capital (the “NIH License Assignment Agreement”), pursuant to which Bullrun Capital assigned to the Company all rights, titles and interests contemplated in the NIH License Agreement. As a result, the Company, through the NIH License Assignment Agreement, holds the nonexclusive worldwide rights for the new pepper spray formulation technology. As consideration and as per the terms of the NIH License Assignment Agreement, the Company issued 10,000,000 common shares of the Company to Bullrun Capital with a fair value of \$0.05 per share for a total value of \$500,000. Pursuant to the NIH License Assignment Agreement, the Company assumed all obligations and made the following payments to NIH during the year ended June 30, 2020:

- a non-refundable license issue royalty of US\$20,000 (\$26,844);
- a minimum annual royalty of US\$10,000 (\$11,767);
- expenses associated with the preparation, filing, prospectus, and maintenance of all patent applications and patents included with the NIH License Agreement and paid by NIH prior to the NIH License Agreement, an additional royalty not to exceed US\$70,000 (\$82,128).

During the year ended June 30, 2020, the Company made the strategic decision to stop further development of its new pepper spray formulation technology. The license associated with the NIH License Assignment Agreement has been terminated. As a result, due primarily to the Company no longer has the intention to pursue this project, during the year ended June 30, 2020, indicators of impairment existed leading to a test of recoverable amount of the NIH License Assignment Agreement, which resulted in an impairment loss of \$487,712. A value in use calculation is not applicable as the Company does not have any expected cash flows from using the intangible asset at this stage of operations. In estimating the fair value less costs of disposal, management did not have observable or unobservable inputs to estimate the recoverable amount greater than \$nil. As this valuation technique requires management’s judgment and estimates of the recoverable amount, it is classified within Level 3 of the fair value hierarchy.

(b) Rutgers, The State University of New Jersey, The Research Foundation for the State of University of New York, acting for and on behalf of Binghamton University, and the Trustees of Indiana University (collectively “Rutgers” or the “Licensors”)

On June 12, 2019, Bullrun Capital (“Licensee”) entered into an exclusive license agreement with Rutgers for the intellectual property rights for the commercial development of new WiFi-based weapons detection technology (the “Rutgers License Agreement”).

FIRST RESPONDER TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

6. INTANGIBLE ASSETS (continued)

- (b) Rutgers, The State University of New Jersey, The Research Foundation for the State of University of New York, acting for and on behalf of Binghamton University, and the Trustees of Indiana University (collectively "Rutgers" or the "Licensors") (continued)

In consideration for the Rutgers License Agreement, Bullrun Capital agreed to pay to the Licensors:

- a license issue fee of US\$25,000 (\$32,718, paid during the year ended June 30, 2020);
- milestone payments of:
 - US\$50,000 upon cumulative net sales exceeding US\$5,000,000; and
 - US\$100,000 upon cumulative net sales exceeding US\$25,000,000;
- running royalties of:
 - 8% of net sales for certain licensed products including any material, product, kit, service, process or procedure that, in whole or in part, are covered by the patent; and
 - 4% of net sales for certain licensed products including any material, product, kit, service, process or procedure that incorporates, uses or derives from the Licensors technology or the development, manufacture, use, sale or importation of which incorporates, uses or is derived from the Licensors technology;
- minimum annual royalties of:
 - US\$25,000 at the end of the calendar year in which the first commercial sale occurs ("Year 1");
 - US\$50,000 at the end of the calendar year following Year 1 ("Year 2");
 - US\$100,000 at the end of the calendar year following Year 2 ("Year 3");
 - US\$200,000 at the end of each calendar year following Year 3.
- equity consideration of:
 - 10% of the Company's total outstanding capital stock on a fully-diluted basis, as-converted basis immediately after any initial public offering (6,952,322 common shares issued during the year ended June 30, 2020, see discussion below); and
 - 2.5% of the Company's then-total outstanding capital stock on a fully-diluted, as-converted basis within 15 days of the earlier of: (i) issuance of any patent related to Rutgers' patent rights or technology, or (ii) the Company achieving cumulative net sales of US\$6,500,000 from licensed products.

Furthermore, the agreement required that the Licensee enter into a Sponsored Research Agreement of at least US\$800,000 (amended to US\$180,000) with Rutgers which was executed during the year ended June 30, 2020.

On June 28, 2019, the Company entered into a license assignment agreement with Bullrun Capital Inc. (the "Rutgers License Assignment Agreement"), pursuant to which Bullrun Capital Inc. assigned to the Company all rights, titles and interests contemplated in the Rutgers License Agreement. As a result, the Company, through the Rutgers License Assignment Agreement, holds the exclusive global rights for the new WiFi technology. As consideration and as per the terms of the Rutgers License Assignment Agreement, the Company issued 10,675,000 common shares of the Company to Bullrun Capital with a fair value of \$0.05 per share for a total value of \$533,750. As part of the Rutgers License Assignment Agreement, the Company assumed all obligations for the consideration disclosed above.

During the year ended June 30, 2021, the Company made the strategic decision to stop further development of its WiFi-based weapons detection technology while it reviews the technological feasibility of the project and other strategic alternatives. The license associated with the Rutgers License Assignment Agreement is in the process of being terminated. As a result, due primarily to the Company no longer has the intention to pursue this project, during the year ended June 30, 2021, indicators of impairment existed leading to a test of recoverable amount of the Rutgers License Assignment Agreement, which resulted in an impairment loss of \$1,615,932. A value in use calculation is not applicable as the Company does not

FIRST RESPONDER TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

6. INTANGIBLE ASSETS (continued)

- (b) Rutgers, The State University of New Jersey, The Research Foundation for the State of University of New York, acting for and on behalf of Binghamton University, and the Trustees of Indiana University (collectively "Rutgers" or the "Licensors") (continued)

have any expected cash flows from using the intangible asset at this stage of operations. In estimating the fair value less costs of disposal, management did not have observable or unobservable inputs to estimate the recoverable amount greater than \$nil. As this valuation technique requires management's judgment and estimates of the recoverable amount, it is classified within Level 3 of the fair value hierarchy.

	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⁾	1,595,668
Impairment	(608,972)	-	(608,972)
Balance, June 30, 2020	\$ -	\$ 2,478,356	\$ 2,478,356
Impairment	-	(2,478,356)	(2,478,356)
Balance, June 30, 2021	\$ -	\$ -	\$ -
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	-	539,640	539,640
Impairment	-	(862,424)	(862,424)
Balance, June 30, 2021	\$ -	\$ -	\$ -
Carrying Amounts			
June 30, 2020	\$ -	\$ 2,155,572	\$ 2,155,572
June 30, 2021	\$ -	\$ -	\$ -

⁽¹⁾ As disclosed in note 8, upon completion of the Company's IPO and pursuant to the terms of the Rutgers License Assignment Agreement, the Company issued 6,952,322 common shares to Rutgers with a fair value of \$1,911,888 on February 6, 2020. As at June 30, 2019, the Company determined that completion of the IPO was likely and recorded an addition of \$316,220 to the Rutgers License Assignment Agreement as well as a corresponding obligation to issue shares. As a result, during the year ended June 30, 2020, the Company recorded an additional \$1,595,668 to the cost of the Rutgers License Assignment Agreement.

FIRST RESPONDER TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

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.

For the year ended June 30, 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.

For the year ended June 30, 2021, the Company recognized a gain and discounted the RRRF loan by \$112,903 as a result of the imputed interest benefit received from the interest-free RRRF loan.

	2021
Balance, July 1, 2020	\$ -
Additions	439,016
Discount	(112,903)
Accretion	11,292
Balance, June 30, 2021	\$ 337,405

The total amount of undiscounted future cash flows required to settle the RRRF obligation as at June 30, 2021, was \$439,016. The future cash flows have been discounted using a rate of 8.50%.

8. SHAREHOLDERS’ EQUITY

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

For the year ended June 30, 2021

No shares were issued during the year ended June 30, 2021.

For the year ended June 30, 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 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.

FIRST RESPONDER TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

8. SHAREHOLDERS' EQUITY (continued)

(b) Issued and outstanding (continued)

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. The warrants were assigned \$nil value using the residual method.

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. The fair value of these warrants granted was \$172,957, which was calculated using Black Scholes Option Pricing Model with following inputs: Risk free interest rate: 1.59%, Expected dividend yield: 0%, Expected stock price volatility: 100%, Expected option life in year: 2 years, and Forfeiture rate: 0%.

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 (note 6).

(c) Common share purchase warrants

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

Expiry date	June 30, 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	0.11	3,488,802	\$0.50	1.11
January 14, 2022	6,987,093	\$0.50	0.54	6,987,093	\$0.50	1.54
January 14, 2022	1,117,934 ⁽¹⁾	\$0.50	0.54	1,117,934 ⁽¹⁾	\$0.50	1.54
	11,593,829	\$0.50⁽²⁾	0.41⁽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 June 30, 2021 and 2020	11,593,829	\$0.50

FIRST RESPONDER TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

8. SHAREHOLDERS' EQUITY (continued)

(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.

As at June 30, 2021 and 2020, the Company had the following options outstanding:

Expiry date	June 30, 2021			June 30, 2020		
	Number of options	Exercise Price	Remaining life (years)	Number of options	Exercise Price	Remaining life (years)
January 15, 2022 ⁽¹⁾	-	-	-	30,000	\$0.50	1.55
January 15, 2023 ⁽¹⁾	-	-	-	1,000,000	\$0.15	2.55
January 15, 2023 ⁽²⁾	-	-	-	620,000	\$0.35	2.55
January 15, 2023 ⁽³⁾	-	-	-	540,000	\$0.40	2.55
January 15, 2023 ⁽¹⁾	-	-	-	300,000	\$0.50	2.55
January 20, 2023 ⁽¹⁾	-	-	-	252,234	\$0.40	2.56
July 25, 2024 ⁽⁴⁾	-	-	-	3,000,000	\$0.05	4.07
January 15, 2025 ⁽¹⁾	-	-	-	200,000	\$0.50	4.55
Options outstanding	-	-	-	5,942,234	\$0.185⁽⁵⁾	3.38⁽⁵⁾
Options exercisable	-	-	-	3,507,233	\$0.239⁽⁵⁾	3.09⁽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	\$0.20
Balance at June 30, 2020	5,924,234	\$0.20
Forfeited	(5,924,234)	\$0.20
Balance at June 30, 2021	-	\$0.00

FIRST RESPONDER TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

8. SHAREHOLDERS' EQUITY (continued)

(d) Stock options (continued)

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%

For the year ended June 30, 2021, the Company recorded a recovery of \$49,519 (2020 – expense of \$679,556) in relation to stock options granted in prior years.

(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
Balance at June 30, 2019	-
Granted ⁽¹⁾	4,140,000
Balance at June 30, 2020	4,140,000
Granted ⁽¹⁾	1,200,000
Forfeited	(5,340,000)
Balance at June 30, 2021	5,340,000
Balance vested at June 30, 2021	-

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

⁽²⁾ 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 year ended June 30, 2021 was \$148,000 (2020 – \$583,800) 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 year ended June 30, 2021, the Company recorded a recovery of \$34,020 (2020 – expense of \$34,020) in relation to RSUs granted in prior years.

FIRST RESPONDER TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

9. RESEARCH AND DEVELOPMENT

Details of research and development expenses are as follows:

For the years ended June 30,	2021	2020
WiFi-based weapons detection – third party research and development	\$ 1,246,040	\$ 1,594,756
WiFi-based weapons detection – in-house research and development	276,943	355,635
Pepper spray formulation – third party research and development	-	28,624
Pepper spray formulation – in-house research and development	-	8,000
Scientific Research & Experimental Development (“SR&ED”) ⁽¹⁾	-	(182,545)
	\$ 1,522,983	\$ 1,804,470

⁽¹⁾ Certain of the Company’s research and development costs incurred as a private company were eligible for SR&ED tax refunds. During the year ended June 30, 2021, the Company received a SR&ED tax refund of \$nil (2020 – \$182,545).

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.

For the year ended June 30, 2021, the Company received an IRAP IAP wage subsidy of \$131,268 (2020 - \$48,787).

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 consolidated statements of 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.

For the year ended June 30, 2021, the Company incurred management and director fees of \$263,532 (2020 – \$293,000) to the Company’s key management personnel.

For the year ended June 30, 2021, the Company incurred research and development fees of \$213,926 (2020 – \$247,616) to the Company’s key management personnel.

For the year ended June 30, 2021, the Company incurred management and director fees of \$129,500 (2020 – \$189,000) to companies owned directly or indirectly by key management personnel of the Company.

FIRST RESPONDER TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS (continued)

For the year ended June 30, 2021, a recovery of \$49,519 (2020 – expense of \$185,736) and a recovery of \$30,251 (2020 – expense of \$30,251) were included in share-based payments for stock options and RSU's granted to related parties, respectively.

As at June 30, 2021, accounts payable and accrued liabilities include \$54,037 (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. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27% (2020 – 27%) to income before income taxes.

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	2021	2020
Net loss for the year	\$ (5,119,765)	\$ (7,143,182)
Statutory income tax rate	27%	27%
Income tax benefit computed at statutory tax rate	\$ (1,382,337)	\$ (1,928,659)
Effect of change in tax rates	-	(16)
Share issuance costs	-	(112,880)
Items not deductible for tax purposes	(22,556)	145,031
Change in estimate	-	6,289
Unused tax losses and tax offsets not recognized	1,404,893	1,890,235
Income tax expense	\$ -	\$ -

Deferred income tax assets are only recognized to the extent that the realization of tax benefits is determined to be probable. As at June 30, 2021 and 2020, the Company has not recognized the benefit of the following deductible temporary differences:

	2021	2020
Intangible assets	\$ 3,087,300	\$ 931,800
Equipment	\$ 51,500	16,300
Share issuance costs	\$ 265,700	\$ 358,400
Non-capital loss carry forward	\$ 9,433,400	\$ 6,330,000

As at June 30, 2021, the Company has \$9,433,444 (2020 – \$6,330,044) in estimated non-capital losses for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years. The non-capital losses expire in 2037 to 2041.

The Company has \$1,800 (2020 – \$1,800) in estimated non-capital losses for United States income and state tax purposes that may be carried forward to reduce taxable income derived in future years. The non-capital losses expire in 2040.

FIRST RESPONDER TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

13. 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 June 30, 2021, the Company had a cash and cash equivalent balance of \$53,657 (2020 – \$1,548,903) available to apply against short-term business requirements and current liabilities of \$1,537,031 (2020 – \$601,449). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of June 30, 2021. The loan is to be repaid in monthly instalments of \$12,200 commencing January 31, 2023 and ending December 31, 2025.

(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.

14. CAPITAL MANAGEMENT

The Company has recently commenced operations and does not generate cash flows from operations. It has not yet determined whether it will be successful in its endeavours. The Company's primary source of funds comes from the issuance of common shares and external debt financing.

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 (deficiency). 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 for the year ended June 30, 2021.

15. SEGMENTED INFORMATION

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

FIRST RESPONDER TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

16. 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 consolidated 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 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.

17. SUBSEQUENT EVENTS

- (a) The Company entered into debt settlement agreements with three service providers to settle an aggregate of \$184,758 in debt by issuing an aggregate of 3,079,304 common shares in the share capital of the Company with a fair value of \$0.025 per common share resulting in a gain on debt settlement of \$107,775.
- (b) On August 9, 2021, 3,488,802 warrants with an exercise price of \$0.50 expired unexercised.
- (c) On September 23, 2021, the Company entered into a debt assignment agreement with an existing vendor whereby a total of \$352,376 in debt was assigned to a related party of the Company.