VSBLTY Groupe Technologies Corp.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

(Expressed in United States dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

To the Shareholders of VSBLTY Groupe Technologies Corp.

Opinion

We have audited the consolidated financial statements of VSBLTY Groupe Technologies Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company has an accumulated deficit of $49,317,803. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be key audit matters to be communicated in our auditor's report.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Revenue recognition – Transaction with Investee and the resulting accounting implications We draw attention to Notes 5 and 11 to the financial statements. During the year ended December 31, 2022, the Company sold $1,426,002 in hardware and software services to an entity in which it holds joint control. The Company has recognized $680,150 of revenue in connection with these sales. $745,852 of the sales did not meet the criteria to be reflected as revenue because collection was not determined to be probable. As at December 31, 2022, the Company had a trade receivable of $1,963,980 and a loan receivable of $2,031,255 due from the investee. The Company has recognized an expected credit loss allowance of $711,939 relating to the trade receivable balance and impaired the loan receivable to $nil. We considered this as a key audit matter due to the judgement required for the revenue recognition and the assessment of impairment of trade and loan receivable balances, resulting in significant audit effort.	In obtaining sufficient audit evidence, the following procedures have been performed: • We assessed management's evaluation of the sales to the investee and whether the requirements to reflect as revenue were met; • We confirmed the details and terms of the transactions and balances directly with the investee; and • We assessed management's estimate of impairment of the amounts due from the investee, including an assessment of the financial condition of the investee and the evidence provided by transactions completed subsequent to the reporting period.
Revenue recognition – Determination of distinct performance obligations and stand-alone selling prices We draw attention to Note 3 to the financial statements. The Company enters into separate and bundled arrangements with customers that may include products (software and/or hardware), software as a service, connectivity services, installation and various professional services. We considered this as a key audit matter due to the judgment required by the Company to identify the various distinct performance obligations and to allocate the contractual transaction price to each distinct performance obligation based on the stand-alone selling prices.	In obtaining sufficient audit evidence, the following procedures have been performed: • We assessed the Company's determination of each distinct performance obligation in each bundled arrangement and whether the performance obligations are satisfied over time or at a point in time by examining the contract source documents; and • We evaluated the methodology used to determine the stand-alone selling price of the various elements of the bundled services by testing the reasonableness of the mark-up charged or by comparing to the price charged when goods or services were sold on a stand-alone basis.

Key audit matter	How the matter was addressed
Investment in private company – significant influence assessment and accounting method used We draw attention to Note 10 to the financial statements. As at December 31, 2022, the Company held an investment with a carrying value of $1,000,000. The investment is being measured at fair value through profit or loss. We considered this a key audit matter due to: • the judgement required in determining that the Company had not obtained significant influence over the investee; and • the significant management estimates and judgments required to determine the fair value of the investment up to the point in time when significant influence was obtained. This has resulted in a high degree of auditor judgment and audit effort in performing procedures relating to this matter.	Our approach to addressing the matter included the following procedures: • We confirmed the ownership interest held by the Company directly with the investee; • We assessed management's evaluation of the facts and circumstances relating to this investment, and its ability to participate in the financial and operating policy decisions; and • With the assistance of a valuation expert, we evaluated the appropriateness of the valuation models and techniques used by management's expert in estimating the fair value of its investment, as well as the reasonableness of the inputs used.

Other Information

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

Our opinion on the 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 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 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 auditor's 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.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is David Goertz.

DMCL.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

July 5, 2023

VSBLTY Groupe Technologies Corp.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in United States dollars)

As at	**Notes**		**December 31, 2022**		**December 31, 2021**
ASSETS					
Current assets					
Cash		$	1,064,225	$	4,932,824
Trade and other receivables	5,11,18		1,464,551		1,315,934
Share subscription receivable	16		191,130		-
Lease receivable	15		37,953		-
Prepaid expenses	7		320,547		329,727
Inventory			44,995		177,216
			3,123,401		6,755,701
Equipment, net	6		85,759		70,101
Right-of-use assets	15		173,182		128,534
Lease receivable	15		65,625		-
Investment	10		1,000,000		1,000,000
Prepaid expenses - noncurrent	7		19,979		10,916
Total assets		$	4,467,946	$	7,965,252
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	12, 18	$	1,441,989	$	2,467,110
Deferred revenue			7,681		11,028
Current portion of lease liability	15		138,478		55,150
Convertible debentures	13		-		360,085
Loans payable	14		93,104		339,759
			1,681,252		3,233,132
Lease liability	15		168,827		100,149
Total liabilities			1,850,079		3,333,281
SHAREHOLDERS' EQUITY					
Share capital	16		41,781,470		33,347,460
Reserves	16		10,483,287		8,297,272
Obligation to issue shares	16		-		355,203
Obligation to issue warrants	16		338,033		19,127
Accumulated deficit			(49,317,803)		(36,942,932)
Accumulated other comprehensive income			(667,120)		(444,159)
Total shareholders' equity			2,617,867		4,631,971
Total liabilities and shareholders' equity		$	4,467,946	$	7,965,252

Nature of operations and going concern	1
Contingency	23
Subsequent events	11,16,26

APPROVED BY THE BOARD OF DIRECTORS:

"Jay Hutton" Director *"Thomas Hays"* Director

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

VSBLTY Groupe Technologies Corp.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in United States dollars)

	Notes		Year ended December 31, 2022		2021
Revenue					
License fees		$	244,166	$	94,796
Professional services			256,522		258,473
Hardware and other			1,522,709		1,246,753
			2,023,397		1,600,022
Cost of sales	8		(2,646,618)		(1,429,502)
Gross profit			(623,221)		170,520
Sales and marketing expenses	17, 18		(2,787,675)		(1,850,541)
General and administrative expenses	17, 18		(3,498,404)		(4,830,721)
Research and development expenses	17, 18		(2,519,981)		(1,569,263)
Share-based payments	16(b), 16(c),16(d)		(1,287,576)		(6,238,678)
Recovery (impairment) of inventory	9		324,028		(843,998)
Impairment of loan receivable	11		(1,400,514)		(630,741)
Loss on joint venture	11		-		(25,725)
Loss on settlement of accounts payable	14		(43,637)		-
Other installations and managed services	11		(566,240)		-
Operating loss			(12,403,220)		(15,819,147)
Finance costs	13, 14,15		(90,603)		(438,410)
Interest income			30,927		9,350
Foreign exchange loss			88,025		10,881
Net loss for the year			(12,374,871)		(16,237,326)
Other comprehensive loss					
Items that will not be reclassified to profit or loss					
Foreign currency translation			(222,961)		(233,855)
Comprehensive loss for the year		$	(12,597,832)	$	(16,471,181)
Loss per share – Basic and diluted		$	(0.06)	$	(0.09)
Weighted average shares outstanding – Basic and diluted			220,717,233		173,582,321

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

VSBLTY Groupe Technologies Corp.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in United States dollars)

	Notes	Number of common shares	Share capital	Reserves	Obligation to issue warrants	Obligation to issue shares	Accumulated deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, December 31, 2020	16(a)	143,180,368	$ 15,703,032	$ 2,843,867	$ 19,127	$ -	$ (20,705,606)	$ (210,304)	$ (2,349,884)
Shares issued for public offering	16(a)	18,400,000	6,428,752	347,443	-	-	-	-	6,776,195
Shares issued for private placement	16(a)	1,162,384	475,466	-	-	-	-	-	475,466
Shares issued for warrant exercises	16(a,b)	25,529,228	6,907,800	(619,536)	-	355,203	-	-	6,643,467
Shares issued for option exercises	13,16(a,c)	1,499,167	491,716	(241,024)	-	-	-	-	250,692
Convertible debt conversion	13,16(c)	8,766,101	3,340,694	(272,156)	-	-	-	-	3,068,538
Share-based payments	16(c)	-	-	6,238,678	-	-	-	-	6,238,678
Foreign currency translation		-	-	-	-	-	-	(233,855)	(233,855)
Loss		-	-	-	-	-	(16,237,326)	-	(16,237,326)
Balance, December 31, 2021		198,537,248	$ 33,347,460	$ 8,297,272	$ 19,127	$ 355,203	$ (36,942,932)	$ (444,159)	$ 4,631,971
Balance, December 31, 2021	16(a)	198,537,248	$ 33,347,460	$ 8,297,272	$ 19,127	$ 355,203	$ (36,942,932)	$ (444,159)	$ 4,631,971
Shares issued for public offering	16(a)	19,166,705	4,035,504	448,390	-	-	-	-	4,483,894
Share issuance costs	16(a)	383,333	(550,860)	-	-	-	-	-	(550,860)
Shares issued for private placement	16(a)	12,938,394	2,322,962	643,325	-	-	-	-	2,966,287
Broker warrants issued	16(a)	-	(216,369)	216,369	-	-	-	-	-
Shares issued for services	16(a)	144,534	113,337	-	-	-	-	-	113,337
Shares issued for warrant exercises	16(a,b)	11,874,718	2,006,523	(44,080)	-	(355,203)	-	-	1,607,240
Shares issued for option exercises	16(a,c)	970,000	341,088	(149,916)	-	-	-	-	191,172
Shares issued for RSUs vested	16(a,d)	41,750	23,619	(23,619)	-	-	-	-	-
Shares issued to settle debt	16(a)	2,158,862	358,206	126,876	-	-	-	-	485,082
Shares returned to treasury	16(a)	(125,000)	-	-	-	-	-	-	-
Share-based payments	16(c)	-	-	968,670	318,906	-	-	-	1,287,576
Foreign currency translation		-	-	-	-	-	-	(222,961)	(222,961)
Loss		-	-	-	-	-	(12,374,871)	-	(12,374,871)
Balance, December 31, 2022		**246,090,544**	**$41,781,470**	**$ 10,483,287**	**$ 338,033**	**$ -**	**$ (49,317,803)**	**$ (667,120)**	**$ 2,617,867**

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

VSBLTY Groupe Technologies Corp.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in United States dollars)

	Notes		Year ended December 31, 2022		2021
Cash flows from operating activities					
Loss for the year		$	(12,374,871)	$	(16,237,326)
Adjustments for non-cash items:					
Depreciation	6,15		129,364		76,233
Accretion expense			4,249		222,923
Share-based payments	16(b),16(c),16(d)		1,287,576		6,238,678
Foreign exchange loss (gain)			(107,346)		(80,269)
Shares issued for services	16a		113,337		-
Bad debt expense			521,720		235,472
(Recovery) impairment of inventory	9		(324,028)		843,998
Loss on settlement of accounts payable			43,637		-
Impairment of loan receivable	11		1,400,514		630,741
Changes in non-cash working capital items:					
Trade and other receivables			(670,337)		(1,416,425)
Inventory			456,249		(1,021,213)
Prepaid expenses and deposits			9,180		(16,412)
Accounts payable and accrued liabilities			(1,068,758)		1,243,020
Deferred revenue			(3,347)		2,778
Net cash used in operating activities			(10,582,861)		(9,277,802)
Cash flows from investing activities					
Acquisition of equipment	6		(60,845)		(63,913)
Purchase of investment			-		(1,000,000)
Payment of long-term security deposit			(9,063)		-
Lease receivable repayment			25,247		-
Payment of loan proceeds	11		(1,400,514)		(630,741)
Net cash used in investing activities			(1,445,175)		(1,694,654)
Cash flows from financing activities					
Principal portion of lease payments	15		(105,644)		(48,447)
Proceeds from equity financing, net of share issuance costs	16(a)		6,708,191		7,251,661
Proceeds from exercise of options	16(a)		191,172		250,692
Proceeds from exercise of warrants	16(a)		1,607,240		6,643,467
Repayment of matured debt	14		(134,549)		(109,856)
Net cash provided by financing activities			8,266,410		13,987,517
Impact of currency translation on cash			(106,973)		-
Net increase (decrease) in cash			(3,868,599)		3,015,061
Cash, beginning			4,932,824		1,917,763
Cash, ending		$	1,064,225	$	4,932,824

Supplemental cash flow information (Note 25)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

VSBLTY Groupe Technologies Corp. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on August 1, 2018. The Company's head office is located at Suite 206, 595 Howe Street, Vancouver, British Columbia, V6C 2T5 and its registered office is located at The Corporation Trust Center, 1201 Orange Street, City of Wilmington, New Castle County, DE 19801. The Company is a software provider of artificial intelligence driven security and retail analytics technology. The Company's shares trade on the Canadian Securities Exchange under the symbol "VSBY", the OTCQB Venture Market under the symbol "VSGBF" and the Frankfurt stock exchange under the symbol "5VS".

These consolidated financial statements have been prepared on the basis of accounting principles applicable to going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. To date, the Company has not been profitable and has an accumulated deficit of $49,317,803. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its consolidated financial statements.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary to the statement of financial position classifications used. Such adjustments could be material.

2. BASIS OF PRESENTATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

These consolidated financial statements were authorized for issue by the Board of Directors on July 5, 2023.

b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The consolidated financial statements are presented in United States dollars, unless otherwise noted.

2. BASIS OF PRESENTATION (continued)

b) Basis of measurement (continued)

The preparation of these consolidated financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of expenses during the period. Actual results could differ from these estimates.

These consolidated financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout these consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, VSBLTY, Inc and VSBLTY Mexico, S. DE R.L. DE C.V. All inter-company balances, transactions have been eliminated upon consolidation.

Subsidiaries are entities controlled by the Company. Control exists when the Company has power over an entity, when the Company is exposed, or has rights, to variable returns from the entity and when the Company has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control. Where necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all period presented in these financial statements, unless otherwise indicated.

a) Foreign currency transactions

Functional and presentation currency
The functional currency of the Company is determined based on the currency of the primary economic environment in which the Company operates. The functional currency of the Company, is the Canadian dollar. The functional currency of the Company’s wholly owned subsidiaries and joint ventures, Winkel Media, S.A.P.I. de C.V. and Radar USA Inc. is the United States dollar. The presentation currency of the Company is the United States dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Transactions and balances
At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into the relevant functional currency using the exchange rate in effect at that date. At the reporting period end date, monetary assets and liabilities are translated into the relevant functional currency using the exchange rate in effect at that date and the related translation differences are recognized in profit or loss.

Non-monetary assets and liabilities that are measured at historical cost are translated into the relevant functional currency by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated.

Translation into the presentation currency
The operating results and consolidated statements of financial position of entities with functional currencies different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities presented are translated at the year-end closing rate as at the date of the consolidated statements of financial position;
- Income and expenses for the statements of loss are translated at average exchange rates, unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rate on the dates of the transactions; and
- All resulting exchange differences from translating foreign operations are recognized in a separate component of shareholders' equity as other comprehensive income (loss).

b) Inventory

Inventory is comprised of hardware components. Inventory is initially valued at cost and subsequently at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. Cost is determined using the first-in, first-out method. Cost includes acquisition costs net of discounts, and other costs incurred to bring inventories to their present location and condition. The Company reviews inventory for obsolete and slow moving goods and any such inventory is written down to net realizable value.

c) Equipment

Equipment is recorded at cost and carried net of accumulated depreciation, amortization and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost and any costs directly attributable to bringing the asset to the location and condition necessary for operation. Subsequent expenditures are capitalized only if it is probable that the future economic benefits associated with the expenditures will flow to the Company.

Repairs and maintenance costs are expensed as incurred. Depreciation is calculated over the estimated useful lives using the straight-line method at the following rates:

- Computer equipment – 3 years
- Equipment and furniture – 3 to 5 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Equipment (continued)

The Company reviews the estimated useful lives, residual values and depreciation method at the end of each reporting period, accounting for the effect of any changes in estimate on a prospective basis.

a) Impairment of tangible assets

Tangible assets with finite useful lives are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the cash-generating unit, which is the lowest group of assets which generates separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to profit or loss except to the extent it reverses gains previously recognized in other comprehensive income. Where impairment losses subsequently reverse, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimated recoverable amount to the extent that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized in profit or loss.

f) Valuation of equity units issued in private placements

The Company has adopted the residual value method with respect to the measurement of shares and warrants issued together as private placement units. The residual value method first allocates value to the most easily measured component based on fair value and then the residual value, if any, to the less easily measurable component.

g) Loss per share

Basic loss per share is calculated by dividing the Company's net loss by the weighted average number of shares outstanding and reduced by any shares held in escrow during the reporting period.

Diluted loss per share is calculated by dividing the Company's net loss by the sum of the weighted average number of shares issued and outstanding assuming all additional shares that would have been outstanding if potentially dilutive instruments were converted and reduced by any shares held in escrow, unless the escrow shares are issuable dependent only on the passage of time with all other conditions having been satisfied.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Revenue recognition

Revenue represents the fair value of consideration received or receivable for products and services in its contracts with customers, net of discounts and sales taxes. The Company reports revenue under three revenue categories being, license fees, professional services, and hardware and other. License revenue is comprised of license fees charged for the use of software, licensed under fixed-term arrangements. Professional service revenue consists of fees charged for creative services provided to develop and execute brand messaging used in hardware units as well as installation and support for hardware units. Hardware and other revenue include sale and delivery of hardware units.

Contracts with multiple products or services
The Company's contracts with customers often include multiple products and services such as software licenses, connectivity, creative development, and hardware. The Company evaluates these arrangements to determine the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the product or service is distinct from some or all of the other products or services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct products and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation. Where a contract consists of more than one performance obligation, revenue is allocated to each based on their estimated stand-alone selling price.

Nature of products and services
Revenue from licensing arrangements, which allows customers to use software over a term, is provided on a subscription basis and is recognized rateably over the term of the subscription. Where licensing arrangements includes connectivity services, the connectivity services are non-distinct and recognized over the same term.

Revenue from software license development is evaluated to determine whether performance obligations are satisfied at point in time or over time based on whether the software does not have an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date:

- For software license development license where performance obligations are satisfied at a point in time, revenue is recognized when control of the software has transferred to the customer; and
- For software license development where performance obligations are satisfied over time, revenue is recognized using a method of transfer that depicts the Company's performance or using the "as-invoiced" practical expedient, when applicable.

Professional services revenue consists of the provision of creative services to develop and execute brand messaging used in hardware units. It may also include services provided for the installation of hardware units. Professional services may also include consulting services and installation services. Professional service revenue is recognized upon the completion of the service.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Revenue recognition (continued)

Nature of products and services (continued)

Professional services may also include consulting services and installation services. Professional service revenue is recognized upon the completion of the service.

Hardware and equipment sales are accounted for as hardware revenue. Hardware revenue is recognized when control of the product has transferred under the terms of an enforceable contract and, where required, installation services have been completed.

Revenue from these sales is recognized based on the price specified in the contract, net of estimated discounts and taxes. Billings rendered in advance of performance under contracts are recorded as deferred revenue. The amount of deferred revenue to be recognized within twelve months following the year end date is classified as current.

When the period between the receipt of consideration and revenue recognition is greater than one year, the Company determines whether the financing component is significant to the contract. Where a contract is determined to have a significant financing component, the transaction price is adjusted to reflect the financing. The discount rate used in adjusting the promised amount of consideration is the rate that would be reflected in a separate financing transaction between the Company and the customer at contract inception. This rate is not subsequently adjusted for any other changes over the contract term. The accretion of the interest income is recognized in the finance income line in the consolidated statements of loss and comprehensive loss.

i) Cost of Sales

The Company's cost of sales includes the cost of hardware units for resale, shipping costs related to the acquisition of hardware, reseller fees, contracted labour for software development, installation and creative services, as well as provisions for reserves related to product shrinkage, or lower of cost and net realizable value adjustments as required.

j) Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

If a hybrid contract contains a host that is not an asset, embedded derivatives are recorded at fair value separately from the host contract when their economic characteristics and risks are not clearly and closely related to those of the host contract. Subsequent changes in fair value are recorded in the statements of loss and comprehensive loss.

The derivative component of the hybrid financial instrument is measured at fair value through profit and loss. Subsequent changes in fair value are recorded in the statements of loss and comprehensive loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Leases

Lessee
At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to use an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for leases with a lease term of 12 months or less and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments and expected payments at the end of the lease, discounted using the rate implicit in the lease. If the rate implicit in the lease cannot be readily determined, the Company uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability using the effective interest method and by reducing the carrying amount to reflect the lease payments made.

The right-of-use asset is measured at a cost that includes the lease liability, adjusted for any initial direct costs; prepaid lease payments; estimated costs to dismantle, remove or restore; and lease incentives received. The right-of use asset is subsequently measured at cost less accumulated depreciation and impairment losses.

The Company re-measures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

As an intermediate lessor
When the Company acts as an intermediate lessor, it accounts for its interests in the head lease and sublease separately. The Company assesses the sublease with reference to the ROU asset arising from the head lead.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial instruments (continued)

Recognition, classification and measurement

Financial instruments are accounted for in accordance with IFRS 9 Financial Instruments: Classification and Measurement. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets/liabilities	**Classification**
Cash	Fair value through profit and loss
Trade and other receivables	Amortized cost
Share subscription receivable	Amortized cost
Lease receivable	Amortized cost
Investment	Fair value through profit and loss
Accounts payable	Amortized cost
Loans payable	Amortized cost
Convertible debentures	Amortized cost

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The classification of debt instruments is driven by the business model for managing the financial assets and their contractual cash flow characteristics. Debt instruments are measured at amortized cost if the business model is to hold the instrument for collection of contractual cash flows and those cash flows are solely principal and interest. If the cash flows are not solely principal and interest, it is classified as FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are recorded to profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of financial assets held at FVTPL are included in the profit or loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial instruments (continued)

Impairment of financial assets at amortized cost
The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Derecognition of financial assets
Financial assets are derecognized when the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recorded to profit or loss.

Financial liabilities
The Company classifies its financial liabilities into one of two categories as follows:

FVTPL - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category consists of liabilities carried at amortized cost using the effective interest method. Trade payables, customer deposits and loans are included in this category.

Derecognition of financial liabilities
Financial liabilities are derecognized when its contractual obligations are discharged, cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are recognized in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

n) Share-based payments

The Company operates a stock option plan. Share-based payments to employees are measured at the grant date fair value of the instruments and recognized in expense over the vesting periods. Share-based payments to nonemployees are measured at the fair value of goods or services received or the fair value of the equity instruments issued if it is determined that the fair value of the goods or services received cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of the options is determined using a Black -Scholes Option Pricing Model. The number of options expected to vest is renewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Upon the exercise of stock options, consideration received on the exercise is recorded as share capital and the related amount in reserves is transferred to share capital. Amounts recorded for forfeited unvested options are reversed in the period the forfeiture occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Restricted Share Units

The restricted share units ("RSUs") entitle employees, directors, or officers to either the issuance of common shares or cash payments payable upon vesting based on vesting terms determined by the Company's Board of Directors at the time of the grant. On the grant date of RSUs, the Company determines whether it has a present obligation to settle in cash. If the Company has a present obligation to settle in cash, the RSUs are accounted for as liabilities, with the fair value remeasured at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period. RSUs settled in common share are measured at the fair value of awards on the grant date using the prior days closing price. Amounts recorded for forfeited unvested RSUs are reversed in the period the forfeiture occurs. The expense is recognized on a graded vesting basis over the vesting period, with a corresponding charge to profit or loss.

p) Research and Development Expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. As at December 31, 2022, the Corporation had not recognized any internally-generated intangible assets.

q) Investment in joint ventures

Associates are entities over which the Company has significant influence, but not control. Significant influence is generally presumed to exist where the Company has between 20 percent and 50 percent of the voting rights but can also arise where the Company holds less than 20 percent of the voting rights, but it has power to be actively involved and influential in policy decisions affecting the entity. The Company accounts for its investment in associates and joint ventures using the equity method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Investment in joint ventures (continued)

Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's shares of profit or loss of the associate. The Company's share of income or loss of associates is recognized in the consolidated statement of loss prior to the date that it became an investment entity.

Dilution gains and losses arising from changes in interests in investments in associates where significant influence is retained are recognized in the consolidated statements of loss.

At each reporting date, the Company determines whether there is any objective evidence that the investment in the associate is impaired or if previously recorded impairment should be reversed. If impairment is determined to exist, the amount of the impairment is recognized in the statement of income (loss). The amount of impairment is calculated as the difference between the recoverable amount of the investment in the associate and its carrying value.

If objective evidence of reversal exists, the reversal is recognized in net income in the period the reversal occurs and is limited by the carrying value that would have been determined, from the application of equity accounting method, had no impairment charge been recognized in prior periods.

r) Accounting standards issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any new standards and determined that there are no standards that are relevant to the Company.

4. USE OF JUDGMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the applicable of the Company's accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Judgments
Judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements are outlined below.

Going concern
The Company's ability to execute its strategy by funding future working capital requirements requires significant judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.

4. USE OF JUDGMENTS AND ESTIMATES (continued)

Functional currency

The functional currency for the Company and each of its subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of the functional currency involves certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Contingencies

The assessment of contingencies involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against the Company and that may result in regulatory or government actions that may negatively impact the Company's business or operations, the Company and its legal counsel evaluate the perceived merits of the legal proceeding or unasserted claim or action as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a contingent liability or when assessing the impact on the carrying value of the Company's assets. Contingent assets are not recognized in the consolidated financial statements.

Significant Influence of Joint Ventures

Management has assessed the level of influence that the Company has on its joint ventures, Winkel Media, S.A.P.I. de C.V. ("Winkel") and Radar USA Inc ("Radar USA"). of which the Company owns 33.33% and 23.57% of the shareholding respectively. This is because the Company has the power to participate in financial and operating policy decisions as well as the rights to a share of the profits in these joint ventures.

For Winkel, the Company has the right to appoint two out of the six members of the board of directors. Significant transactions of Winkel must be approved with at least one of member of the board from each of the three parties. Based on the above factors, management has assessed that the Company has significant influence, but not control of Winkel.

In Radar USA, the Company owns 23.57% of the shareholding, while officers, directors and employees of the Company hold another 4.43%. The Company also has as the right to appoint one out of the six members of the board of directors and has significant transactions with Radar USA. Based on the above factors, management has assessed that the Company has significant influence, but not control of Radar USA.

Significant Influence of Investment in Austin GIS

Management has assessed that the Company does not have significant influence on its investment in Austin GIS. This is because the Company has an approximate 20.9% holding of the voting power of Austin GIS, does not have any interchange of managerial personnel, and there has been no material transactions between the Company and Austin GIS. Furthermore, the Company only holds one out of five seats on the board of directors.

4. USE OF JUDGMENTS AND ESTIMATES (continued)

Fair value of investments measured at FVTPL
The Company's investments are recorded in the consolidated statements of financial Position at fair value. Management uses their judgment to select a variety of methods and make assumptions that are not always supported by quantifiable market prices or rates. Judgment is required in order to determine the appropriate valuation methodology under this standard and subsequently in determining the inputs into the valuation model used. These judgments include assessing the future earnings potential of investee companies, appropriate earnings multiples to apply, adjustments to comparable multiples, liquidity and net assets. In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates have been applied in a manner consistently and there are no known trends, commitments, events or uncertainties that the Company believes will materially affect the methodology or assumptions utilized in making these estimates in these financial statements.

Accordingly, actual values realized in future market transactions may differ from the estimates presented in these Financial Statements and the differences may be material. The use of different market assumptions and/or valuation methodologies may have a material effect on the estimated fair values of various assets and liabilities. The fair values of financial instruments with quoted bid and ask prices are based on the price within the bid-ask spread that are most representative of fair value and may include closing prices in exchange markets.

Estimates
Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods are outlined below.

Leases
Under IFRS 16, the Company assesses whether a contract contains a lease and, if so, recognizes a lease liability by discounting the future lease payments over the non-cancellable term of the lease, using the Company's estimated incremental borrowing rate. Differences in the estimated incremental borrowing rate could result in materially different lease liabilities and assets.

Inventory
Inventory is valued at the lower of cost and net realizable value. Net realizable value is determined with reference to the estimated selling price less costs to sell. The Company estimates selling price based upon assumptions about future demand and current and anticipated retail market conditions. The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Expected credit losses on trade receivables
When determining expected credit losses ("ECLs"), the Company considers the historic credit losses observed by the Company, customer-specific payment history and economic conditions. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL's, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience, informed credit assessment ad forward-looking information.

4. USE OF JUDGMENTS AND ESTIMATES (continued)

Useful lives of equipment

Estimates of the useful lives of equipment are based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed annually and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of the relevant assets may be based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the equipment would increase the recorded expenses and decrease the non-current assets.

Income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these income tax provisions at the end of each reporting period. However, it is possible that at some future date an additional liability could result from audits by tax authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. Deferred tax assets are recognized when it is determined that the company is likely to recognize their recovery from the generation of taxable income.

Investments in Private companies

Where the fair value of investments in private companies recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair value and this value may not be indicative of recoverable value.

Business Combinations

The determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits.

Share-based payments

The cost of share-based payment transactions with directors, officers and employees are measured by reference to the fair value of the equity instruments. 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 and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, risk free interest rate, expected forfeiture rate and dividend yield of the stock option.

(Expressed in United States dollars)

4. USE OF JUDGMENTS AND ESTIMATES (continued)

Discount rate on contracts with a significant financing component
Under IFRS 15, the Company assesses whether or not there is a significant financing component of revenue contracts and if so, take into consideration the effects of the time value of money. It was determined that there is a significant financing component to the Company's revenue transactions throughout the year with Winkel, the Company's joint venture, based on the timing of expected payments in the future. The Company must use a discount rate that would reflect the credit characteristics of Winkel as the party receiving financing under the contract. As the credit risk of the newly formed joint venture is difficult to identify, management assesses the credit risk of the its joint venture partner Grupo Modelo, a subsidiary of Anheuser-Busch InBev SA/NV. The Company has a one-time exercise right to demand payment from Grupo Modelo for payment of up to $1.6M (Note 11). As such, the credit risk of Grupo Modelo, and its immediate parent company, was assessed and estimated to be 5%.

5. TRADE AND OTHER RECEIVABLES

	December 31, 2022	December 31, 2021
Trade receivables	$ 411,574	$ 309,302
Trade receivable – Winkel (Note 11)	1,963,980	1,220,860
Sales tax receivable and other	21,764	33,920
Provision for doubtful accounts	(932,767)	(248,148)
	$ 1,464,551	$ 1,315,934

During the year ended December 31, 2022, the Company recorded a provision for doubtful accounts of $932,767 (December 31, 2021 - $248,148).

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision matrix is based on historical loss experience and current conditions. Set out below is the information about the credit risk exposure on the Company's trade receivables using the provision matrix:

As at December 31, 2022	Older than 1 year	Older than 6 months	Older than 4 months	91 + days	61 to 90 days	31 to 60 days
Expected credit loss rate	100%	85%	60%	10.6%	3.6%	1.6%
Expected credit losses	$ 874,072	$ 46,307	$ 9,811	$ 1,640	$ 696	$ 241

As at December 31, 2021	Older than 1 year	Older than 6 months	Older than 3 months	Current
Expected credit loss rate	100%	85%	60%	5%
Expected credit losses	$ 102,198	$ 111,896	$ 32,578	$ 1,476

(Expressed in United States dollars)

6. EQUIPMENT

	Computer equipment	Equipment	Furniture	Total
Cost				
Balance, December 31, 2020	$ 24,617	$ 32,725	$ -	$ 57,342
Additions	53,271	10,642	-	63,913
Balance, December 31, 2021	77,888	43,367	-	121,255
Additions	30,929	20,906	9,010	60,845
Balance, December 31, 2022	$ 108,817	$ 64,273	$ 9,010	$ 182,100
Accumulated depreciation				
Balance, December 31, 2020	$ 6,469	$ 18,727	$ -	$ 25,196
Additions	14,808	11,150	-	25,958
Balance, December 31, 2021	$ 21,277	$ 29,877	-	$ 51,154
Additions	30,064	13,775	$ 1,348	45,187
Balance, December 31, 2022	$ 51,341	$ 43,652	$ 1,348	$ 96,341

	Computer equipment	Equipment	Furniture	Total
Net book value				
Balance, December 31, 2021	$ 56,611	$ 13,490	$ -	$ 70,101
Balance, December 31, 2022	$ 57,476	$ 20,621	$ 7,662	$ 85,759

7. PREPAID EXPENSES

	December 31, 2022	December 31, 2021
Current		
Prepaid services and subscriptions	$ 271,687	$ 293,136
Prepaid insurance and rent	48,860	36,591
Total Current	$ 320,547	$ 329,727
Non-Current		
Lease deposit (Note 15)	$ 19,979	$ 10,916
Total Non-Current	$ 19,979	$ 10,916

8. COST OF SALES

	December 31, 2022	December 31, 2021
Hardware and other	$ 2,352,010	$ 1,410,315
License fees	221,492	3,803
Professional services	73,116	15,384
Total Cost of sales	$ 2,646,618	$ 1,429,502

9. INVENTORY

As at December 31, 2021, inventory of $177,216 consisted of installation hardware components that had not yet been installed into stores for Winkel and includes computers hardware, cameras and monitors. During the year-ended December 31, 2022, the Company installed inventory in Winkel stores and expensed inventory of $544,313 through cost of goods sold. A portion of inventory sold during the year had been written off in the prior period and a recovery on inventory of $369,023 was recognized (December 31, 2021- impairment of $843,998).

As at December 31, 2022, the Company had $89,990 in inventory related to cooler door monitors and kits, at a third party warehouse in Hawaii. The customer purchasing the equipment filed for bankruptcy and the Company continues to negotiate the sale with a new customer. As such, the Company recognized an impairment of the inventory of $44,995 related to the expected recoverability of the inventory.

10. INVESTMENT IN AUSTIN GIS

On August 30, 2021, the Company acquired 1,000,000 Preferred shares of Austin GIS Inc. ("Austin"), a privately held corporation incorporated in the state of Delaware for $1,000,000 through a series A funding. The Class A Preferred Shares may be converted at anytime into common shares of Austin at the option of the holder at a conversion price. Each Class A Preferred Share will automatically be converted into common shares:

(i) immediately prior to the closing of an initial public offering, provided that the offering price per share is not less than $3.00 and the aggregate gross proceeds are not less than $20,000,000;
(ii) immediately prior to the closing of a business combination, merger, consolidation or share exchange transaction with the special purpose acquisition company in which the common shares of the surviving entity is listed on the New York Stock Exchange, Nasdaq, or another exchange approved by the Board of Directors. The Company must also not be valued at a price per share less than $3.00 and the aggregate gross proceeds to the Company are not less than $20,000,000;
(iii) any other public company transaction similar to point (ii); and
(iv) upon receipt by the Company of a written request for such conversion from the holders of a majority of the Preferred Shares outstanding;

During the year ended December 31, 2022, Austin bought back shares from other investors resulting in the Company's undiluted share of ownership increasing from 12.33% to 23.8%. As at December 31, 2022, the Company holds 23.8% of common shares outstanding in Austin, with potential voting rights of 20.9% on a diluted basis. Management has determined that the Company does not have significant influence over the investment in Austin GIS, and the investment has been accounted for as a financial instrument.

The investment in Austin GIS represents an investment in a private company for which there is no active market and for which there are no publicly available quoted market prices. As such, the Company has classified its investment in Austin GIS as Level 3 in the fair value hierarchy.

10. INVESTMENT IN AUSTIN GIS (continued)

In respect of this investment, on December 31, 2022, the fair value was determined to be $1,000,000 (2021-$1,000,000). This investment was designated as measured at fair value through profit and loss. The fair value of the investment was calculated by using the net asset and market approaches. Key inputs included: discount for lack of marketability of 20.0% and revenue multiples of 2.3.

11. INVESTMENT IN JOINT VENTURES

Investment in Winkel

On July 9, 2021, the Company entered into an agreement with Retailigent Media, and Grupo Modelo (a subsidiary of Anheuser-Busch InBev SA/NV) to create a joint venture, Winkel, as a 33.33% participant. As a participant, the Company earns revenue through sales of proprietary software for analytics, security and visual displays to Winkel. The Company will earn 33.33% of all profits in exchange for a start-up contribution of $25,725 and the provision of a bridge loan of up to $1,600,000 to fund operations. During the year ended December 31, 2022, the Company and Winkel agreed to increase the bridge loan in order to meet increased cash demands.

For the year ended December 31, 2021, the Company had a bridge loan receivable from Winkel of $630,741 which was impaired as of December 31, 2021. As of December 31, 2022, the Company determined that the additional loan of $1,400,514 advanced during the year ended December 31, 2022 may not be collectible and impaired the value of the loan to $Nil. As of December 31, 2022, the Company had a total of $2,031,255 outstanding from Winkel that has been fully impaired.

As at December 31, 2022 and 2021, the Company has a 33.33% equity interest in Winkel. Management has determined that the Company has significant influence over the joint venture and accordingly is using the equity method to account for this investment.

Transactions with Winkel

During the year ended December 31, 2022, the Company sold $1,426,002 (2021 - $1,283,830) in hardware and software services to Winkel.

In April of 2022, the Company reviewed Winkel's financial results from the first quarter of 2022 and forecasts for the remainder of 2022. The Company determined that outstanding accounts receivable balances may not be collectible based on the initial agreed upon repayment schedule without the outside funding. Accordingly, the Company has only recognized revenue of $680,150 for the period of January 31, 2022 to March 31, 2022, and has not recognized any additional revenue to Winkel from April 1, 2022 to the end of the fiscal year. The associated costs of this unrecognized revenue amounting to $566,240 was reclassified from cost of sales to other expenses. Accounts receivable balances of $680,150 recognized during January 1, 2022 to March 31, 2022 were allowed for and recognized in allowance for doubtful accounts.

Due to the length of time between provision of goods and services and collection of payment, the Company has assessed that the revenue contracts have a significant financing component. As such, the Company recognizes interest income at each reporting period and will accrete the accounts receivable balance to recognize the significant financing component. The interest rate of 5.0% is determined based on the estimated discount rate of Group Modelo.

(Expressed in United States dollars)

11. INVESTMENT IN JOINT VENTURES (continued)

Investment in Winkel (continued)

Subsequent to year-end, on May 3, 2023, the Company received $1,300,000 from Winkel for outstanding accounts receivable. As at December 31, 2022, $2,709,833 was outstanding, of which $745,853 was not recognized under IFRS 15, $680,150 has been impaired and $34,396 profit eliminated, for a net receivable of $1,252,041.

Carrying value of accounts receivable due from Winkel, December 31, 2020	$	-
Revenue earned on contracts with Winkel		1,283,830
Financing component		(72,514)
Interest income		9,345
Elimination of 33.33% interest in profit		(31,789)
Carrying value of accounts receivable due from Winkel, December 31, 2021	$	1,188,872
Amounts earned on contracts with Winkel		1,426,002
Revenue not recognized under IFRS 15		(745,852)
Financing component		(40,264)
Interest income		18,799
Elimination of 33.33% interest in profit		(34,396)
Impairment of receivables		(645,754)
Removal of financing component associated with impairment		84,634
Carrying value of accounts receivable due from Winkel, December 31, 2022	$	1,252,041

(Expressed in United States dollars)

11. INVESTMENT IN JOINT VENTURES (continued)

Investment in Winkel (continued)

Summarized statement of financial position of Winkel as at December 31, 2022 and 2021

		December 31, 2022		December 31, 2021
Current				
Cash	$	5,159	$	119,768
Other assets		202,972		51,450
		208,131		171,218
Non-Current				
Equipment		373,636		1,532,832
Total Assets	$	581,767	$	1,704,050
Current				
Accounts payable and accrued liabilities	$	3,134,931	$	1,545,351
Deferred revenue		-		5,453
		3,134,931		1,550,804
Non-Current				
Bridge Loan		1,891,081		642,772
Total Liabilities		5,026,012		2,193,576
Equity		(4,444,245)		(489,526)
Total Liabilities and Equity	$	581,767	$	1,704,050

Summarized statement of loss of Winkel:

		December 31, 2022		December 31, 2021
Revenue	$	205,192	$	-
General and administrative expenses		(3,923,024)		(568,135)
Net loss for the year		(3,717,832)	$	(568,135)
Company's 33.33% share of net loss	$	(1,239,276)	$	(188,881)

As the Company's carrying value of the investment was $Nil as at January 1, 2022 and no additional contributions were made to increase the carrying value during the year ended December 31, 2022, no share of loss is recognized during the year ended December 31, 2022.

(Expressed in United States dollars)

11. INVESTMENT IN JOINT VENTURES (continued)

Investment in Radar USA

Radar USA was incorporated in the State of Delaware, United State of America under Delaware General Corporation Law. Radar USA was formed as a collaboration between the Company and Radar APP S.A.P.I. de C.V. ("Radar App"). Radar USA plans to become an AI-powered integrated community security provider whose integrated solution package includes smart cameras; an easy-to-use app for citizen SOS, geolocation and direct interaction with police; and cloud-based data storage and analytics for law enforcement. The Company holds 23.57% of common shares outstanding in Radar USA, representing voting rights of 23.57%. Officers, directors and employees of the Company represent another 4.43%. Management has determined that the Company has significant influence over Radar USA and accordingly is using the equity method to account for this investment.

Transactions with Radar USA

During the year ended December 31, 2022, the Company provided consulting services to Radar USA, and the total revenue earned from those services was $120,000 (2021-$Nil). The Company also assigned five existing customer contracts to Radar USA, whereby Radar USA would act as a reseller of the Company's licenses for no consideration.

During the year ended December 31, 2022, the Company also entered into an agreement with Radar USA in which each party agreed sublease 50% of the lease between the Company and Cracker Factory, LLC ("Cracker") for an office space. The Company and Radar USA each paid $37,150 relating to these rentals during the year ended December 31, 2022 (2021-$Nil).

Summarized statement of financial position of Radar USA as at December 31, 2022 and 2021

Current		**December 31, 2022**		**December 31, 2021**
Cash	**$**	666,935	$	1,643,911
Other assets		275,061		125,000
Total Assets	$	941,996	$	1,768,911
Current				
Accounts payable and accrued liabilities	$	74,617	$	45,915
Other current liabilities		1,000		-
		75,617		45,915
Total Liabilities		75,617		45,915
Equity		866,379		1,722,996
Total Liabilities and Equity	$	941,996	$	1,768,911

(Expressed in United States dollars)

11. INVESTMENT IN JOINT VENTURES (continued)

Investment in Radar USA (continued)

Summarized statement of loss of Radar USA:

		December 31, 2022		Period of incorporation to December 31, 2021
Revenue	$	-	$	-
General and administrative expenses		(926,937)		(148,354)
Net loss for the year		(926,937)		(148,354)
Company's 23.57% share of net loss	$	(218,479)	$	(34,967)

Reconciliation with the carrying amount of the investment:

Carrying value of investment at December 31, 2020	$	-
Contribution		7
Recognized share of loss for the period		(7)
Carrying value of investment at December 31, 2021 and 2022	$	-

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2022		December 31, 2021
Accounts payable	$	1,059,453	$	1,787,281
Accrued liabilities		346,367		595,741
Accrued interest (Note 14)		36,169		84,088
	$	1,441,989	$	2,467,110

13. CONVERTIBLE DEBENTURES

A continuity of the Company's convertible debt is as follows:

		2020 Debentures		2019 Debentures		Total
Balance, December 31, 2020	$	1,062,193	$	2,439,536	$	3,501,729
Accretion		31,231		191,413		222,644
Foreign exchange loss		12,641		35,822		48,463
Converted to common shares		(745,980)		(2,320,712)		(3,066,692)
Matured		-		(346,059)		(346,059)
Balance, December 31, 2021	$	360,085	$	-	$	360,085
Accretion		4,372		-		4,372
Foreign exchange loss		893		-		893
Matured		(365,350)		-		(365,350)
Balance, December 31, 2022	**$**	**-**	**$**	**-**	**$**	**-**

(Expressed in United States dollars)

13. CONVERTIBLE DEBENTURES (continued)

During the year ended December 31, 2022, the Company recorded $4,372 (2021 - $222,923) in accretion expense and $5,615 (2021 - $186,161) in interest expense included in finance costs and $365,350 in convertible debentures matured unconverted. As at December 31, 2022, there was accrued interest of $Nil (2021 - $18,372) included in accounts payable and accrued liabilities.

14. LOANS PAYABLE

Loans payable		
Balance, December 31, 2020	$	-
Additions		346,058
Repayments		(6,299)
Balance, December 31, 2021	$	339,759
Additions		365,350
Repayments		(134,549)
Settlement through shares		(447,185)
Foreign exchange		(30,271)
Balance, December 31, 2022	$	93,104

During the year ended December 31, 2022, $365,350 in convertible debt matured unconverted. Amounts are unsecured, bear interest at 10%, and are due on demand. During the year ended December 31, 2022, the Company recorded $47,860 (2021 - $Nil) in interest expense included in finance cost. As at December 31, 2022, there was accrued interest of $36,169 (2021 - $17,128) included in accounts payable and accrued liabilities.

During the year ended December 31, 2022, the Company also settled outstanding loan balances amounting to $447,185 in exchange for 2,158,862 units. Each of the units was valued at CAD$0.30 and is made up of one common share and one warrant of the Company (Note 16). A loss on the settlement of these balances of $21,146 was recorded.

15. LEASES

The Company leases certain assets under lease agreements. The lease liability consists of two leases for office space. The leases have an imputed interest rate of 10% per annum and expire between 2024 and 2025.

Right-of-use assets		
Balance, December 31, 2020	$	178,809
Depreciation expense		(50,275)
Balance, December 31, 2021		128,534
Additions		128,825
Depreciation expense		(84,177)
Balance, December 31, 2022	$	173,182

(Expressed in United States dollars)

15. LEASES (continued)

The Company's lease liability related to office leases is as follows:

Lease liability	**December 31, 2022**	**December 31, 2021**
Current portion	$ 138,478	$ 55,150
Long-term portion	168,827	100,149
Total lease liability	$ 307,305	$ 155,299

At December 31, 2022, the Company is committed to minimum lease payments as follows:

Maturity analysis	**December 31, 2022**	**December 31, 2021**
Less than one year	$ 163,251	$ 68,203
One to five years	179,951	108,928
Total undiscounted lease liabilities	$ 343,202	$ 177,131

Amounts recognized in profit or loss	**December 31, 2022**	**December 31, 2021**
Interest on lease liabilities	$ 23,055	$ 18,200
Interest income on sublease	(10,003)	-
	$ 13,052	$ 18,200

Amounts recognized in the statement of cash flows	**December 31, 2022**	**December 31, 2021**
Interest paid	$ 23,055	$ 18,200
Principal payments on lease liabilities	105,644	48,447
Total cash outflows for leases	$ 128,699	$ 66,647

On March 15, 2022, the Company entered into a sublease agreement related to office space. At December 31, 2022 and 2021, the Company's lease receivable related to office leases is as follows:

Lease receivable	**December 31, 2022**	**December 31, 2021**
Current portion	$ 37,953	$ -
Long-term portion	65,625	-
Total lease receivable	$ 103,578	$ -

Maturity analysis	**December 31, 2022**	**December 31, 2021**
Less than one year	$ 46,737	$ 68,203
One to five years	70,401	108,928
Total undiscounted lease receivable	$ 117,138	$ 177,131

16. SHAREHOLDERS' EQUITY

a) Share capital

Authorized share capital of the Company consists of an unlimited number of common shares with no par value.

During the year ended December 31, 2022, the Company issued an aggregate of:

- 19,166,705 units at $0.30 CAD per unit for gross proceeds of $4,483,894 (CAD$5,750,012) pursuant to a prospectus offering. Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one common share at a price of $0.50 CAD for a period of 36 months from the closing date. $448,390 (CAD$575,002) of the proceeds was allocated to the value of the warrants.

  Cash finder's fee and legal fees totalling $550,860 (CAD$718,151) were paid, 383,333 common shares valued at $80,710 (CAD$103,500) were issued as corporate finance fees, and 1,533,336 agent warrants valued at $216,369 (CAD$277,465) were issued. Each agent warrant entitles the holder to purchase one common share at a price of $0.50 CAD for a period of 36 months from the closing date;
- 2,983,230 units at $0.30 per unit for gross proceeds of $697,902 (CAD$894,969) pursuant to a concurrent private placement to the prospectus offering. Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one common share at a price of $0.50 CAD for a period of 36 months from the closing date. $69,790 (CAD$89,497) of the proceeds was allocated to the value of the warrants. As at December 31, 2022, $3,691 (CAD$5,000) was owed to the Company by a subscriber for units subscribed;
- 8,221,831 units at $0.30 per unit for gross proceeds of $1,882,066 (CAD$2,466,549) pursuant to the second tranche of the concurrent private placement to the prospectus offering. Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one common share at a price of $0.50 CAD for a period of 36 months from the closing date. $470,517 (CAD$616,637) of the proceeds was allocated to the value of the warrants;
- 1,733,333 units at $0.30 per unit for gross proceeds of $386,319 (CAD$520,000) pursuant to the third tranche of the concurrent private placement to the prospectus offering. Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one common share at a price of $0.50 CAD for a period of 36 months from the closing date. $103,018 (CAD$138,667) of the proceeds was allocated to the value of the warrants. As at December 31, 2022, $187,439 (CAD$253,908) was owed to the Company by a subscriber for units subscribed, this amount was received subsequent to year end.
- 144,534 common shares were issued for consulting services with a fair value of $113,337;
- 11,874,718 common shares for the exercise of warrants for proceeds of $1,962,443 (CAD$2,511,421) of which $355,203 was reclassed from obligation to issue shares, and as a result, $44,080 has been reclassed from reserves;
- 970,000 common shares for the exercise of options for proceeds of $191,172 (CAD$242,250), and as a result $149,916 has been reclassed from reserves;
- 41,750 common shares were issued related to the vesting of RSUs, and as a result $23,619 has been reclassed from reserves;

16. SHAREHOLDERS' EQUITY (continued)

- 2,158,862 Units in exchange for outstanding loans payable of $447,185 (CAD $595,125). Each Unit comprises one common share and one warrant of the Company. Each warrant can be exercised at $0.50 CAD for a period of 36 months from closing. $126,876 (CAD$168,460) of the proceeds was allocated to the value of the warrants;
- 125,000 common shares issued in error were returned to treasury.

During the year ended December 31, 2021, the Company issued an aggregate of:

- 18,400,000 units for gross proceeds of $7,436,250 (CAD$9,200,000) pursuant to a public offering. Each unit consists of one common share and one-half of one warrant. Each warrant entitles the holder to purchase one common share at a price of $0.65 CAD for a period of 60 months from the closing date. Cash finder's fee of $660,055 (CAD$817,690) was paid and 1,288,000 agent warrants were issued. Each agent warrant entitles the holder to purchase one common share at a price of CAD$0.50 for a period of 60 months from the closing date. Using the residual method the warrants were determined to have a fair value of $Nil;
- 1,162,384 units at for gross proceeds of $475,466 (CAD$588,239) pursuant to a concurrent private placement to the public offering. Each unit consists of one common share and one-half of one warrant. Each warrant entitles the holder to purchase one common share at a price of CAD$0.65 for a period of 60 months from the closing date. Using the residual method the warrants were determined to have a fair value of $Nil;
- 8,766,101 common shares on conversion of the Company's Debentures (see note 13);
- 25,529,228 common shares for the exercise of warrants for proceeds of $6,643,467 (CAD $8,658,610), as a result $619,536 (CAD$776,047) has been reclassified from reserves; and
- 1,499,167 common shares for the exercise of options for proceeds of $250,692 (CAD$618,821), as a result $241,024 (CAD$302,946) has been reclassified from reserves.

b) Warrants

On July 9, 2021, the Company formed a joint venture, Winkel (Note 11). In connection with the agreement, the Company issued 15,500,000 warrants to Grupo Modelo. Each warrant is exercisable for one common share at $0.63 (CAD $0.84) per share for a period of five years subject to the following vesting conditions:

- 15% vested immediately upon execution (vested);
- 15% vest upon the execution of a definitive agreement for the formation of a joint venture (vested);
- 20% vest upon the joint venture installed and operating in at least 1,500 locations ("Milestone 3") (vested);
- 20% vest upon the joint venture installed and operating in at least 5,000 locations ("Milestone 4");
- 15% will vest upon the joint venture installed and operating in at least 20,000 locations ("Milestone 5"); and
- 15% will vest upon the joint venture installed and operating in at least 30,000 locations ("Milestone 6").

16. SHAREHOLDERS' EQUITY (continued)

The vesting conditions are not related to the market price of the equity instruments of the Company and, as a result, they are non-market performance conditions. At December 31, 2022, management estimated when certain conditions will be met. Management expects Milestone 4 to vest, however Milestones 5 and 6 are not expected to vest prior to the expiry of the warrants. These warrants had a total fair value of $8,845,763, or $0.57 per warrant, using the Black Scholes model with the following inputs: i) exercise price: $0.84; ii) share price: $0.78; iii) term: 5.00 years; iv) volatility: 100%; v) discount rate: 0.74%. As a result of the changes in estimate of vesting of Milestones 5 and 6, share-based payment expense related to these milestones has been reversed. $6,606 has been recorded to share-based payments expense during the year ended December 31, 2022.

In addition, to the above warrants, will issue to Modelo 5,000,000 additional top up Warrants (the "Additional Warrants") upon the satisfaction of Milestone 3 which, if met, will be priced at the date of satisfaction of Milestone 3 and which will be subject to the following vesting conditions:

- 50% will vest immediately (vested); and
- 50% will vest upon the satisfaction of Milestone 4.

Each Additional Warrant will have an exercise price equal to the closing price of the Company's shares on the last trading prior to the date of satisfaction of Milestone 3 and will be exercisable for a period of five years from the date of issuance.

As of December 31, 2022, the Company had not issued the additional 5,000,000 warrants to Modelo despite the satisfaction of Milestone 3. As such, an obligation to issue warrants has been recorded at December 31, 2022. These warrants had a total fair value of $482,480, or $0.10 per warrant, using the Black Scholes model with the following inputs: i) exercise price: $0.18; ii) share price: $0.18; iii) term: 5.00 years; iv) volatility: 97%; v) discount rate: 3.55%. As a result, $318,906 (CAD$431,994) has been recorded to share-based payments expense during the year ended December 31, 2022.

As part of the public offering and concurrent financings completed during the year ended December 31, 2022, 32,105,099 warrants were granted valued at $1,091,715 (CAD$1,419,802). Each warrant entitles the holder to purchase one common share at a price of $0.50 CAD for a period of 36 months from the respective closing dates.

1,533,336 agent warrants were also issued pursuant to the public offering. Each agent warrant entitles the holder to purchase one common share at a price of $0.50 CAD for a period of 36 months from the closing date. These warrants had a total fair value of $277,465 CAD (USD$216,369), or $0.18 CAD per warrant, using the Black Scholes model with the following inputs: i) exercise price: $0.30 CAD; ii) share price: $0.27 CAD; iii) term: 3.00 years; iv) volatility: 113.42%; v) discount rate: 2.76%.

The Company issued 125,000 warrants in connection with a marketing agreement in exchange for certain strategic communications services. Each warrant is exercisable into one common share at $0.30 per share for a period of three years.

(Expressed in United States dollars)

16. SHAREHOLDERS' EQUITY (continued)

These warrants had a total fair value of $13,011 (CAD$17,514), or $0.14 CAD per warrant, using the Black Scholes model with the following inputs: i) exercise price: $0.30 CAD; ii) share price: $0.22 CAD; iii) term: 3.00 years; iv) volatility: 112.75%; v) discount rate: 3.56%. The fair value of the warrants has been recorded to share-based payments expense during the year ended December 31, 2022.

Continuity of the Company's warrants is as follows:

	Number of warrants		Weighted average exercise price ($CAD)		Weighted average exercise price ($USD)
Outstanding, December 31, 2020	52,020,940		0.20		0.15
Granted	32,791,673		0.72		0.57
Exercised	(25,529,228)		0.31		0.24
Expired	(1,384,336)		0.59		0.47
Outstanding, December 31, 2021	57,899,049		0.44		0.34
Granted	35,922,297		0.49		0.36
Exercised	(11,874,718)		0.20		0.16
Expired	(457,466)		0.60		0.44
Outstanding, December 31, 2022	**81,489,162**	**$**	**0.49**	**$**	**0.36**

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

Number of warrants outstanding		Exercise price ($CAD)	Exercise price ($USD)	Expiry date	Number of warrants exercisable
838,258		0.12	0.08	August 28, 2023	838,258
14,591,670		0.17	0.13	August 28, 2023	14,591,670
5,559,045		0.17	0.12	September 22, 2023	5,559,045
8,889,892		0.65	0.47	June 29, 2024	8,889,892
188,000		0.50	0.36	June 29, 2024	188,000
15,500,000		0.84	0.65	March 18, 2026	7,750,000
22,149,935		0.50	0.36	July 28, 2025	22,149,935
1,533,336		0.30	0.22	July 28, 2025	1,533,336
8,871,831		0.50	0.36	August 31, 2025	8,871,831
3,242,195		0.50	0.37	March 11,2023	3,242,195
125,000		0.30	0.22	November 10,2025	125,000
81,489,162	**$**	**0.49**	**0.36**		**73,739,162**

(Expressed in United States dollars)

16. SHAREHOLDERS' EQUITY (continued)

c) Options

Continuity of the Company's stock options is as follows:

	Number of options		Weighted average exercise price ($CAD)		Weighted average exercise price ($USD)
Outstanding, December 31, 2020	9,180,000	$	0.25	$	0.20
Granted	4,350,000		0.60		0.47
Exercised*	(1,499,167)		0.22		0.18
Expired	(50,000)		0.30		0.24
Forfeited	(450,000)		0.30		0.24
Outstanding, December 31, 2021	11,530,833	$	0.38	$	0.30
Granted	4,900,000		0.68		0.45
Exercised	(970,000)		0.26		0.19
Expired	(295,000)		0.33		0.24
Forfeited	(965,000)		0.47		0.35
Returned	125,000*		0.17		0.13
Outstanding, December 31, 2022	**14,325,833**	**$**	**0.49**	**$**	**0.34**
Exercisable, December 31, 2022	**10,499,167**	**$**	**0.39**	**$**	**0.27**

*On October 21, 2021, the Company issued 125,000 shares for the exercise of 125,000 options. These options were exercised in error and the value associated with the shares was recorded as $nil. On February 18, 2022, the issued shares were returned to Treasury.

Options exercised during the year ended December 31, 2022 had a weighted average share price of $0.87 (2021 - $1.17).

As at December 31, 2022, the weighted average remaining contractual life of outstanding warrants is 2 years.

(Expressed in United States dollars)

16. SHAREHOLDERS' EQUITY (continued)

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

Number of options outstanding	Exercise price ($CAD)	Exercise price ($USD)	Expiry date	Number of options exercisable
2,820,000	$ 0.30	$ 0.22	February 15, 2023	2,820,000
50,000	0.30	0.22	December 15, 2024	50,000
250,000	0.30	0.22	January 12, 2025	250,000
2,050,000	0.17	0.12	October 6, 2025	2,050,000
150,000	0.17	0.12	October 9, 2025	150,000
300,000	0.25	0.18	November 24, 2025	300,000
150,000	0.73	0.53	March 8, 2026	150,000
3,012,500	0.51	0.37	August 10, 2026	3,012,500
33,333	0.60	0.44	August 20, 2026	16,667
250,000	0.57	0.41	August 23, 2026	250,000
275,000	0.75	0.55	September 20, 2026	275,000
30,000	0.97	0.71	October 1, 2026	22,500
120,000	1.62	1.18	November 18, 2026	90,000
150,000	1.25	0.91	December 15, 2026	-
3,040,000	0.81	0.59	January 27, 2027	250,000
195,000	0.81	0.59	January 31, 2027	-
125,000	0.81	0.59	February 7, 2027	-
100,000	0.54	0.39	April 27, 2027	-
150,000	0.28	0.20	August 18, 2027	-
1,075,000	0.30	0.22	October 24, 2027	725,000
14,325,833	**$ 0.49**	**$ 0.34**		**10,411,167**

As at December 31, 2022, the weighted average remaining contractual life of outstanding options is 2.97 years.

On February 15, 2023, 2,820,000 options expired without exercise.

During the year ended December 31, 2022, the Company granted 4,900,000 options with a fair value of $1,738,931. Share-based payments relating to options vesting during the year using the Black- Scholes option pricing model was $1,152,707 (2021-$1,446,204).

Employee options were measured at fair value on the grant date and recognized over the vesting period from the date of grant. Nonemployee options were measured indirectly with reference to the fair value of the equity instruments granted as the fair value of goods and services received cannot be measured reliably. Nonemployee options are measured at the end of each reporting period over the term that goods and services are received.

(Expressed in United States dollars)

16. SHAREHOLDERS' EQUITY (continued)

The fair value of stock options granted during the year ended December 31, 2022 and 2021 was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	December 31, 2022	December 31, 2021
Risk-free interest rate	1.64 – 3.71%	0.74% to 1.26%
Expected volatility	100%	100%
Dividend yield	0%	0%
Expected life	5.00 years	5.00 years

d) Restricted Share Units ("RSU")

During the year ended December 31, 2022, the Company granted 100,000 RSUs with a fair value of $20,013 (2021 - 383,500 RSUs with a fair value of $261,508). Share-based payments relating to RSUs vesting during the year ended December 31, 2022 using the Black- Scholes option pricing model was $129,363 (2021 - $68,762). The RSUs issued during the year ended December 31, 2021 vest as follows:

- 133,500 RSUs
  - 50% vest on December 31, 2021
  - 50% vest on December 31, 2022
- 100,000 RSUs
  - 33% vest on August 23, 2022
  - 33% vest on August 23, 2023
  - 34% vest on August 23, 2024
- 150,000 RSUs
  - 33% vest on December 15, 2022
  - 33% vest on December 15, 2023
  - 33% vest on December 15, 2024

The RSUs issued during the year ended December 31, 2022 vest as follows:

- 100,000 RSUs
  - 33% vest on August 18, 2023
  - 33% vest on August 18, 2024
  - 34% vest on August 18, 2025

As at December 31, 2022, there were 441,750 RSUs outstanding of which 175,083 RSUs were vested and 266,667 unvested.

(Expressed in United States dollars)

17. EXPENSES BY NATURE

	Year ended December 31, 2022	Year ended December 31, 2021
Marketing expenses	$ 1,347,265	$ 1,562,881
Meals and entertainment	58,775	13,411
Tradeshow expenses	64,919	59,666
Salaries and wages	1,316,716	214,583
Total sales and marketing expense	$ 2,787,675	$ 1,850,541
General and administrative expenses	$ 789,304	$ 738,889
Professional fees	492,457	403,715
Consulting fees	595,154	1,105,142
Management fees	239,072	1,169,384
Rent	13,761	12,692
Salaries and wages	332,367	830,881
Travel	250,063	101,192
Depreciation (note 6)	45,187	25,958
Lease-related depreciation (note 15)	84,177	50,275
Utilities	63,766	43,511
Bad debt expenses	521,720	235,472
Penalties and fees	-	960
Transfer agent and filing fees	71,376	112,650
Total general and administrative expense	$ 3,498,404	$ 4,830,721
Contract development and materials expense	$ 460,190	$ 867,105
Consulting fees	1,128,888	317,666
Salaries and wages	930,903	384,492
Total research and development expenses	$ 2,519,981	$ 1,569,263

18. RELATED PARTY TRANSACTIONS

Key management compensation

Key management consists of the Officers and Directors who are responsible for planning, directing, and controlling the activities of the Company. All related party transactions are carried out in the normal course of operation.

	For the years ended December 31, 2022	2021
Management fees	$ 1,187,600	$ 1,034,384
Director fees	15,000	6,618
Share-based compensation	779,657	1,044,158
Total	$ 1,982,257	$ 2,085,160

Management fees are included in general and administrative expenses and sales and marketing expense and director fees are included in general and administrative expenses.

(Expressed in United States dollars)

18. RELATED PARTY TRANSACTIONS (continued)

Other related party transactions

During the year ended December 31, 2022, and 2021, other related party transactions consisted of the following:

		December 31, 2022		December 31, 2021
Revenue earned on the sale of hardware to Winkel, included in hardware revenue	$	587,450	$	1,083,677
Revenue earned on the provision of installation services to Winkel, included in professional services revenue	$	56,850	$	104,872
Revenue earned on the sale of software, included in license fee revenue	$	35,850	$	22,767
Revenue earned on the provision of consulting services, included in professional services revenue	$	120,000	$	-
Rental income on sublease	$	37,150	$	-
Director fees, included in general and administrative expenses	$	15,000	$	6,618
Marketing expenses paid to a related entity, included in sales and marketing expenses	$	857,941	$	439,335
Accounting and administrative fees paid to related entities, included in general and administrative expenses	$	73,320	$	1,338
Contract project development labour paid to a related entity, included in research and development expenses	$	-	$	185,000
Interest expense for notes payable to related parties, excluding discount accretion	$	-	$	13,281

Related party balances

At December 31, 2022, $121,733 (December 31, 2021 - $912,810) was due to related parties and is included in accounts payable and accrued liabilities. The amounts were non-interest bearing and due on demand.

At December 31, 2022, $2,709,833 (December 31, 2021 - $1,220,860) was due from Winkel of which $1,252,041 is recognized and included in trade and other receivables.

During the year-ended December 31, 2022, the Company advanced $1,400,514 (December 31, 2021 - $630,741) to Winkel under the bridge loan agreement. The balance of the bridge loan was determined not be collectible and impaired from $1,400,514 to $Nil during the year (December 31, 2021 - $630,741 to $Nil).

At December 31, 2022, $6,430 (December 31, 2021 - $Nil) was due from Radar USA Inc and is included in trade and other receivables. The amount is non-interest bearing and due on demand.

(Expressed in United States dollars)

19. OPERATING SEGMENTS

The Company operates in one reportable segment being the development and sale of software as a service, including any required hardware to operate the software.

Geographic information related to the Company's assets and location of its customers is as follows:

	December 31, 2022				December 31, 2021			
	United States	Mexico	Other	Total	United States	Mexico	Other	Total
Revenue	$ 1,188,965	$ 471,340	$ 363,092	$2,023,397	$302,223	$719,471	$578,328	$1,600,022
Inventory	$ 44,995	$ -	$ -	$ 44,995	$ -	$151,904	$ 25,312	$ 177,216
Property and Equipment	$ 85,759	$ -	$ -	$ 85,759	$ 70,101	$ -	$ -	$ 70,101
ROU asset	$ 173,182	$ -	$ -	$ 173,182	$128,534	$ -	$ -	$ 128,534

During the year ended December 31, 2022, the Company had a significant customer, its joint venture Winkel, that represented 34% (2021 – 75%) of the total revenue earned in the year. As at December 31, 2022, there was a balance of $1,963,979 (2021 - $1,220,860) due from Winkel included in accounts receivable (Note 11) all of which was reserved.

20. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue its operations and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. The Company considers its capital for this purpose to be its equity, promissory notes and convertible debt.

For the years ended December 31, 2021, and 2022 there was no change in the Company's approach to capital management. The Company's primary source of capital is through the issuance of common shares. The Company manages and adjusts its capital structure when changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek additional funding. The Company may require additional capital resources to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required in the long term but recognizes there will be risks involved that may be beyond its control. There are no external restrictions on the management of capital.

21. FINANCIAL RISK MANAGEMENT

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Foreign exchange risk
Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Foreign exchange risks are closely monitored, and attempts are made to match foreign cash inflows and outflows. As at December 31, 2022, the Company is primarily exposed to foreign exchange risk through its cash and cash equivalents denominated in Canadian dollars. The Company mitigates foreign exchange risk by monitoring foreign exchange rate trends and evaluating reinvestment opportunities when possible. The Company does not currently hedge its foreign exchange risk. Based on current exposures as at December 31, 2022 and assuming that all other variables remain constant, a 10% appreciation or depreciation of the Canadian dollar against the United States dollar would result in a gain or loss of approximately $88,000 in the Company's consolidated statements of loss and comprehensive loss.

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. The Company's cash and trade and other receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. The Company mitigates credit risk by evaluating the creditworthiness of customers prior to conducting business with them and monitoring its exposure for credit losses with existing customers.

Trade and other receivables also include refundable goods and services tax which bears minimal credit risk as it is receivable from the Canadian government. For trade receivables, the Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected loss rates are based on the payment profiles of sales over a period of 12 months before December 31, 2022, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect the current forward-looking information on economic factors affecting the ability of customers to settle receivables. Accounts receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, business failure, the failure of a debtor to engage in a repayment plan, and a failure to make contractual payments over the negotiated contract period.

The Company's aging of trade receivables was as follows:

	December 31, 2022	December 31, 2021
Current	$ 88,761	$ 1,274,469
31- 60 days	10,717	-
61 - 90 days	12,751	-
91+ days	2,263,325	41,465
Provision for doubtful accounts and Winkel reserve	(911,003)	-
Total	$ 1,464,551	$ 1,315,934

21. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at December 31, 2022, the Company is not exposed to significant interest rate risk.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity through equity financing obtained through the issuance of equity and common shares. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

22. BASIS OF FAIR VALUE

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable marker data (unobservable inputs).

The Company’s financial instruments consist of cash, trade and other receivables, accounts payable, lease liabilities, and notes payable. With the exception of notes payable, the carrying value of the Company’s financial instruments approximate their fair values due to their short-term maturities. The fair value of notes payable approximate their carrying value, excluding discounts, due to minimal changes in interest rates and the Company’s credit risk since issuance of the instruments.

23. CONTINGENCY

In the ordinary course of business, the Company and its subsidiary may become involved in various legal and regulatory actions. The Company establishes legal provisions when it becomes probable that the Company will incur a loss and the amount can be reliably estimated.

During the year ended December 31, 2020, a demand letter was received by the Company from Interknowlogy, LLC (“Interknowlogy”), a formerly related company, pertaining to outstanding payment and corresponding late charges. The Company contested the work performed by Interknowlogy and plans to vigorously defend the suit and file a substantial counter claim for failure to deliver as well as damages incurred.

(Expressed in United States dollars)

23. CONTINGENCY (continued)

On October 10, 2022, Interkowlogy filed a claim in the State of California against the Company for a breach of contract related to the above demand letter. In the claim, Interknowlogy is claiming damages totalling $1,268,499 relating to unpaid invoices of $509,999 and interest of $758,500.

As at December 31, 2022, an amount of $587,759 is recognized in accounts payable and accrued liabilities, including interest of $77,760. The likelihood of Interknowlogy's claim being successful cannot be assessed at this time. Management is of the view that it is improbable there will be a material financial impact to the Company as a result of this claim. Consequently, no provision has been recorded in these financial statements.

24. INCOME TAXES

The following table reconciles the expected income tax expense at United States statutory income tax rates to the amounts recognized in the statements of loss and comprehensive loss:

		December 31, 2022		**December 31, 2021**
Net loss before taxes	$	(12,374,871)	$	(16,237,326)
Statutory tax rate		27%		29.7%
Expected income tax recovery	$	(3,341,000)	$	(4,384,000)
Non-deductible items		340,000		1,695,000
Change in foreign tax and foreign exchange rates		387,000		(109,000)
Share issue cost		(149,000)		(21,000)
Adjustment to prior years provision versus statutory tax returns		(2,000)		(734,000)
Change in deferred tax assets not recognized		2,765,000		3,553,000
Total income tax expense (recovery)	$	-	$	-

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. Deferred tax assets (liabilities) as at December 31, 2022 and 2021 are as follows:

		December 31, 2022		**December 31, 2021**
Convertible debentures	$	-	$	(100,000)
Share and debt issue costs		117,000		170,000
Leases		18,000		(3,000)
Tax loss carry forwards		7,975,000		4,832,000
		8,110,000		4,899,000
Unrecognized deferred tax asset		(8,110,000)		(4,899,000)
Net deferred tax asset	$	-	$	-

(Expressed in United States dollars)

24. INCOME TAXES (continued)

The Company did not recognize deferred tax assets for the following deductible temporary differences because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom:

		December 31, 2022		December 31, 2021
Share issue costs	$	435,000	$	629,000
Debt		-		(369,000)
Leases		74,000		(14,000)
Tax loss carry forwards		32,599,000		21,589,000
Unrecognized deductible temporary differences	$	33,108,000	$	21,835,000

As at December 31, 2022, the Company had net operating tax loss carry forwards in the United States of $24,327,000 which will never expire but its utilization is limited to 80% of taxable income in any future year. In addition, the Company had non-capital tax loss carry forwards in Canada of $8,271,000 which can be applied to reduce future Canadian Taxable income and will expire between 2027 and 2037.

25. SUPPLEMENTAL CASHFLOW INFORMATION

		December 31, 2022		December 31, 2021
Supplemental cash flow disclosures:				
Interest paid	$	100,265	$	420,194
Promissory notes and accrued interest settled for shares		485,082		-
Non-Cash Investing and Financing Activities:				
Fair value of warrants, options and RSUs exercised	$	149,916	$	2,961,922
Broker warrants issued		216,369		-
Shares issued for services		113,337		-

26. SUBSEQUENT EVENTS

Promissory notes

Subsequent to the year ended December 31, 2022, the Company issued promissory notes for a total principal amount of $684,000. These promissory notes accrue effective interest at rates between 48% and 60% per annum, and they are secured against the Company's accounts receivables. Through June 23, 2023, $349,000 has been repaid with the remaining $335,000 anticipated to be repaid by July 17, 2023. From the principal amount received, $384,000 was owing to three directors.

26. SUBSEQUENT EVENTS (continued)

Share issuances

Subsequent to the year ended December 31, 2022, 495,114 common shares were issued as a result of the exercise of 494,108 warrants and 1,006 options for gross proceeds of $63,764 (CAD $84,169). 41,750 common shares were also issued from the exercise of RSUs.

Stock options

On March 31, 2023, the Company also granted stock options to directors, officers and certain employees of the Company to acquire a total of 5,606,000 common shares of the Company. The exercise price of these options is $CAD 0.25 and 3,825,000 of the options vested on the date of grant. The balance of 1,781,000 shall vest equally over three years from the date of grant.

Winkel

On May 3, 2023, the Company received $1,300,000 from Winkel in payment of goods and services.