VSBLTY Groupe Technologies Corp.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended June 30, 2023 and 2022

(Expressed in United States dollars)
(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements for VSBLTY Groupe Technologies Corp. (the “Company”) have been prepared by management in accordance with International Financing Reporting Standards (“IFRS”). These condensed consolidated interim financial statements, which are the responsibility of management, are unaudited and have not been reviewed by the Company’s auditors. The Company’s Audit Committee and Board of Directors have reviewed and approved these condensed consolidated interim financial statements. In accordance with the disclosure requirements of National Instrument 51-102 released by the Canadian Securities Administrators, the Company’s independent auditors have not performed a review of these condensed consolidated interim financial statements.

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

As at	Notes		June 30, 2023		December 31, 2022
			(unaudited)		
ASSETS					
Current assets					
Cash		$	112,413	$	1,064,225
Trade and other receivables	5, 12, 18		94,233		1,464,551
Share subscription receivable			3,773		191,130
Lease receivable	15		45,047		37,953
Prepaid expenses	7		143,924		320,547
Inventory	10		44,995		44,995
			444,385		3,123,401
Equipment, net	6		66,273		85,759
Right-of-use assets	15		127,703		173,182
Lease receivable	15		42,288		65,625
Investment	11		1,000,000		1,000,000
Prepaid expenses - noncurrent	7		19,979		19,979
Total assets		$	1,700,628	$	4,467,946
Current liabilities					
Accounts payable and accrued liabilities	13, 18	$	2,869,327	$	1,441,989
Deferred revenue			6,728		7,681
Current portion of lease liability	15		146,443		138,478
Loans payable	14		430,180		93,104
			3,452,678		1,681,252
Lease liability	15		97,938		168,827
Total liabilities			3,550,616		1,850,079
SHAREHOLDERS' EQUITY					
Share capital	16		41,869,308		41,781,470
Reserves	16		11,445,776		10,483,287
Obligation to issue warrants	16		338,033		338,033
Accumulated deficit			(54,827,044)		(49,317,803)
Accumulated other comprehensive income			(676,061)		(667,120)
Total shareholders' equity			(1,849,988)		2,617,867
Total liabilities and shareholders' equity		$	1,700,628	$	4,467,946

Nature of operations and going concern	1
Contingency	23
Subsequent events	25

APPROVED BY THE BOARD OF DIRECTORS:

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

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

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

	Notes	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
			Restated (Note 8)		**Restated (Note 8)**
Revenue					
License fees		$ 24,445	$ 20,334	$ 67,390	$ 66,941
Professional services		70,391	4,835	104,891	256,922
Hardware and other		5,800	-	5,800	886,656
		100,636	25,169	178,081	1,210,519
Cost of sales	9	(419,496)	(476,043)	(885,936)	(1,934,312)
Gross profit		(318,860)	(450,874)	(707,855)	(723,793)
Sales and marketing expenses	17, 18	(556,774)	(545,834)	(1,150,445)	(1,413,964)
General and administrative expenses	17, 18	(766,512)	(761,548)	(1,291,569)	(1,477,714)
Research and development expenses	17, 18	(538,108)	(523,152)	(1,187,731)	(1,025,139)
Share-based payments	16(b),16(c),16(d)	(180,378)	(186,851)	(986,563)	(1,319,292)
Recovery on inventory impairment		-	353,909	-	353,909
Operating loss		(2,360,632)	(2,114,350)	(5,324,163)	(5,605,993)
Finance costs	14, 15	(80,520)	(27,759)	(103,692)	(55,348)
Loss on loan impairment	12	-	(420,263)	(90,181)	(573,877)
Loss on settlement of payables		-	(22,526)	-	(22,526)
Interest income		2,358	31,815	4,865	50,364
Foreign exchange gain (loss)		(290)	682	3,930	4,421
Net loss for the period		(2,439,084)	(2,552,401)	(5,509,241)	(6,202,959)
Foreign currency translation		(7,240)	(27,341)	(8,941)	14,502
Comprehensive loss for the period		$ (2,446,324)	$ (2,579,742)	$ (5,518,182)	$ (6,188,457)
Loss per share – Basic and diluted		$ (0.01)	$ (0.01)	$ (0.02)	$ (0.03)
Weighted average shares outstanding – Basic and diluted		246,627,408	207,530,202	246,521,418	204,937,694

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

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

	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, 2021		198,537,247	$ 33,347,460	$ 8,297,273	$ 19,127	$ 355,203	$ (36,942,932)	$ (444,159)	$ 4,631,972
Shares issued for warrant exercises	16(a)	10,185,468	1,786,457	(37,792)	-	(355,203)	-	-	1,393,462
Shares issued for option exercises	16(a)	970,000	341,088	(149,916)	-	-	-	-	191,172
Shares issued for RSUs vested	16(a)	41,750	23,619	(23,619)	-	-	-	-	-
Shares issued for services	16(a)	144,534	113,337	-	-	-	-	-	113,337
Shares returned to treasury	16(a)	(125,000)	-	-	-	-	-	-	-
Subscriptions received		-	-	-	-	4,201	-	-	4,201
Share-based payments	16(b,c,d)	-	-	1,319,292	-	-	-	-	1,319,292
Foreign currency translation		-	-	-	-	-	-	14,502	14,502
Loss for the period (Restated Note 8)		-	-	-	-	-	(6,202,959)	-	(6,202,959)
Balance, June 30, 2022		209,753,999	$35,611,961	$ 9,405,238	$ 19,127	$ 4,201	$ (43,145,891)	$ (429,657)	$ 1,464,979
Balance, December 31, 2022		246,090,544	$41,781,470	$ 10,483,287	$ 338,033	$ -	$ (49,317,803)	$ (667,120)	$ 2,617,867
Shares issued for warrant exercises	16(a,b)	494,108	65,409	(1,840)	-	-	-	-	63,569
Shares issued for option exercises	16(a,c)	1,006	263	(68)	-	-	-	-	195
Shares issued for RSU exercise	16(a,d)	41,750	22,166	(22,166)	-	-	-	-	-
Share-based payments	16(b,c,d)	-	-	986,563	-	-	-	-	986,563
Foreign currency translation		-	-	-	-	-	-	(8,941)	(8,941)
Loss for the period		-	-	-	-	-	(5,509,241)	-	(5,509,241)
Balance, June 30, 2023		246,627,408	$41,869,308	$11,445,776	$ 338,033	$ -	$ (54,827,044)	$ (676,061)	$ (1,849,988)

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

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

	Notes		Six months ended June 30, 2023		2022 Restated (Note 8)
Cash flows from operating activities					
Loss for the period		$	(5,509,241)	$	(6,202,959)
Adjustments for non-cash items:					
Depreciation	6,15		68,416		60,272
Accretion expense			-		4,346
Interest expense			89,968		28,720
Share-based payments	16(b),16(c),16(d)		986,563		1,319,292
Foreign exchange gain			(142)		(20,718)
Bad debt expense			32,631		72,556
AP settled in shares	16(a)		-		113,337
Impairment of loan receivable	12		90,181		-
Recovery of inventory			-		(353,909)
Changes in non-cash working capital items:					
Trade and other receivables			1,434,578		(1,024,624)
Inventory			-		(2,015,225)
Prepaid expenses and deposits			178,989		81,437
Accounts payable and accrued liabilities			1,227,939		2,151,436
Deferred revenue			(953)		141,269
Net cash used in operating activities			(1,401,070)		(5,644,770)
Cash flows from investing activities					
Acquisition of equipment	6		(3,451)		(54,641)
Lease receivable repayment			16,243		6,106
Payment of loan proceeds			(90,181)		-
Net cash used in investing activities			(77,389)		(48,535)
Cash flows from financing activities					
Principal portion of lease payments	15		(62,924)		(39,031)
Proceeds from promissory notes	14		684,000		-
Repayment of loans payable	14		(349,000)		(18,000)
Subscriptions received			-		4,201
Proceeds from prior year equity financing, net of share issuance costs	16(a)		191,130		-
Proceeds from exercise of options	16(a)		195		191,172
Proceeds from exercise of warrants	16(a)		63,569		1,393,462
Net cash provided by financing activities			526,970		1,531,804
Impact of currency translation on cash			(323)		-
Net decrease in cash			(951,489)		(4,161,501)
Cash and cash equivalents, beginning of period			1,064,225		4,932,824
Cash and cash equivalents, end of period		$	112,413	$	771,323

Supplemental cash flow information (Note 24)

The accompanying notes are an integral part of these condensed consolidated interim 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 condensed interim 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 $54,827,044. 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 condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 28, 2023.

2. BASIS OF PRESENTATION (continued)

b) Basis of measurement

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

The preparation of these condensed consolidated interim 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 condensed consolidated interim financial statements and the reported amount of expenses during the period. Actual results could differ from these estimates.

These condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout these condensed consolidated interim 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 condensed consolidated interim 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, income, and expenses 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 significant accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with the accounting policies disclosed in Note 3 of the audited financial statements for the year ended December 31, 2022. These condensed consolidated interim statements should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2022.

(Expressed in United States dollars)

4. USE OF JUDGMENTS AND ESTIMATES

In preparing these condensed consolidated interim 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.

In preparing these condensed consolidated interim financial statements, the significant estimates and critical judgments were the same as those applied to the financial statements as at and for the year ended December 31, 2022.

5. TRADE AND OTHER RECEIVABLES

	June 30, 2023	December 31, 2022
Trade receivables	$ 261,491	$ 411,574
Trade receivable – Winkel (Note 12)	663,979	1,963,980
Sales tax receivable and other	31,699	21,764
Provision for doubtful accounts	(862,936)	(932,767)
	$ 94,233	$ 1,464,551

During the six months ended June 30, 2023, the Company recorded a recovery in the provision for doubtful accounts of $69,831 (2022 - $72,556 expense).

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 June 30, 2023	Older than 1 year	Older than 6 months	Older than 4 months	91 + days	61 to 90 days	31 to 60 days	Current
Expected credit loss rate	100%	85%	60%	10.6%	3.6%	1.6%	0.3%
Expected credit losses	$ 853,179	$ -	$ 2,700	$ 4,162	$ 2,398	$ 389	$ 108

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	Current
Expected credit loss rate	100%	85%	60%	10.6%	3.6%	1.6%	0.3%
Expected credit losses	$ 874,072	$ 46,307	$ 9,811	$ 1,640	$ 696	$ 241	$ -

(Expressed in United States dollars)

6. EQUIPMENT

	Computer equipment	Equipment	Furniture	Total
Cost				
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
Additions	3,451	-	-	3,451
Balance, June 30, 2023	$ 112,268	$ 64,273	$ 9,010	$ 185,551
Accumulated depreciation				
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
Additions	16,608	5,435	894	22,937
Balance, June 30, 2023	$ 67,949	$ 49,087	$ 2,242	$ 119,278
Net book value:				
Balance, December 31, 2022	$ 57,476	$ 20,621	$ 7,662	$ 85,759
Balance, June 30, 2023	$ 44,319	$ 15,186	$ 6,768	$ 66,273

7. PREPAID EXPENSES

	June 30, 2023	December 31, 2022
Current		
Prepaid services and subscriptions	$ 122,900	$ 271,687
Prepaid insurance and rent	21,024	48,860
Total Current	$ 143,924	$ 320,547
Non-Current		
Lease deposit (Note 15)	$ 19,979	$ 19,979
Total Non-Current	$ 19,979	$ 19,979

8. RETROSPECTIVE RESTATEMENT

Subsequent to June 30, 2022, (“the Comparative period”) it was determined that some of the revenue recognized relating to the sale of equipment and provision of services to Winkel (Note 12) should not have been recognized. Consequently, the revenue for the six months ended June 30, 2022 has been restated and the impact of the restatement is shown below;

(Expressed in United States dollars)

8. RETROSPECTIVE RESTATEMENT (continued)

Condensed Consolidated Interim Statement of Loss and Comprehensive Loss for the Six Months Ended June 30, 2022

	As previously reported	Adjustment	As restated
Revenue			
License fees	$ 154,550	$ (87,609)	$ 66,941
Professional services	806,409	(549,487)	256,922
Hardware and other	3,524,379	(2,637,723)	886,656
Total revenue	4,485,338	(3,274,819)	1,210,519
Cost of sales	(4,526,364)	(2,592,052)	(1,934,312)
Total operating expenses	(4,882,200)	-	(4,882,200)
Other expenses	(596,966)	-	(596,966)
Net loss	(5,520,192)	(682,767)	(6,202,959)
Comprehensive gain	14,502	-	14,502
Net and comprehensive loss	$ (5,505,690)	$ (682,767)	$ (6,188,457)
Basic and diluted loss per share	$ 0.03	-	$ 0.03

Condensed Consolidated Interim Statement of Loss and Comprehensive Loss for the Three Months Ended June 30, 2022

	As previously reported	Adjustment	As restated
Revenue			
License fees	$ 78,191	$ (57,857)	$ 20,334
Professional services	659,546	(654,711)	4,835
Hardware and other	2,505,139	(2,505,139)	-
Total revenue	3,242,876	(3,217,707)	25,169
Cost of sales	(3,010,983)	(2,534,940)	(476,043)
Total operating expenses	(1,663,476)	-	(1,663,476)
Other expenses	(438,051)	-	(438,051)
Net loss	(1,869,634)	(682,767)	(2,552,401)
Comprehensive gain	(27,341)	-	(27,341)
Net and comprehensive loss	$ (1,896,975)	$ (682,767)	$ (2,579,742)
Basic and diluted loss per share	$ (0.01)	-	(0.01)

Condensed Consolidated Interim Statement of Cash Flows for the Six Months Ended June 30, 2022

	As previously reported	Adjustment	As restated
Loss for the period	$ (5,520,192)	$ (682,767)	$ (6,202,959)
Changes in trade and other receivables	$ (1,707,391)	$ 682,767	$ (1,024,624)

(Expressed in United States dollars)

9. COST OF SALES

	For the six months ended June 30, 2023	For the six months ended June 30, 2022
License fees	$ 374,565	$ 233,594
Professional services	488,966	154,599
Hardware and other	22,405	1,546,119
Total Cost of sales	$ 885,936	$ 1,934,312

	For the three months ended June 30, 2023	For the three months ended June 30, 2022
License fees	$ 186,342	$ 101,050
Hardware and other	233,154	374,993
Total Cost of sales	$ 419,496	$ 476,043

10. INVENTORY

As at June 30, 2023, the Company had $44,995 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 during the year ended December 31, 2022, related to the expected recoverability of the inventory.

11. 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 of $1.00. Each Class A Preferred Share will automatically be converted into common shares if any one of these conditions occurs:

(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

11. INVESTMENT IN AUSTIN GIS (continued)

(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 and June 30, 2023, 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.

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.

As at June 30, 2023, management considered the fair value of $1,000,000 to be indicative of the fair value of the investment in Austin GIS as there have been no changes in the circumstances that would change management's assessment of fair value.

12. INVESTMENT IN JOINT VENTURES

Investment in Winkel Media, S.A.P.I. de C.V. ("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 as a 33.33% participant of Winkel. 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, 2022, the Company had a bridge loan receivable from Winkel of $2,031,255 which was impaired. As of June 30, 2023, the Company determined that the additional loan of $90,181 advanced during the six months ended June 30, 2023, may not be collectible and impaired the value of the loan to $Nil. Thus, as of June 30, 2023, the Company had a total of $2,121,436 outstanding from Winkel that has been fully impaired.

As at June 30, 2023 and December 31, 2022, 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.

(Expressed in United States dollars)

12. INVESTMENT IN JOINT VENTURES (continued)

<u>Investment in Winkel (continued)</u>

Transactions with Winkel

During the six months ended June 30, 2023, the Company earned revenue on the provision of hardware and software services to Winkel for total proceeds of $1,800 (June 30, 2022 - $392,950).

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.

On May 3, 2023, the Company received $1,300,000 from Winkel for outstanding accounts receivable.

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
Reversal of previous impairment		16,170
Recognition of previously eliminated unrealized profit		31,789
Amounts earned on contracts with Winkel		152,180
Revenue not recognized under IFRS 15		(150,380)
Amount received		(1,300,000)
Carrying value of accounts receivable due from Winkel, June 30, 2023	$	1,800

(Expressed in United States dollars)

12. INVESTMENT IN JOINT VENTURES (continued)

Investment in Winkel (continued)

Summarized statement of financial position of Winkel as at June 30, 2023 and December 31, 2022

	June 30, 2023	December 31, 2022
Cash	$ 59,878	$ 5,159
Other assets	178,203	202,972
	238,081	208,131
Non-Current		
Equipment	343,135	373,636
Total Assets	581,216	581,767
Current		
Accounts payable and accrued liabilities	1,448,208	3,134,931
	1,448,208	3,134,931
Non-Current		
Bridge Loan	6,056,313	1,891,081
Total Liabilities	7,504,521	5,026,012
Equity	(6,923,305)	(4,444,245)
Total Liabilities and Equity	$ 581,216	$ 581,767

Summarized statement of loss of Winkel:

	June 30, 2023	June 30, 2022
Revenue	$ 417,501	$ 3,444
General and administrative expenses	(2,169,259)	(983,378)
Net loss for the period	(1,751,758)	(979,934)
Company’s 33.33% share of net loss	$ (583,919)	$ (326,641)

As the Company’s carrying value of the investment was $Nil as at January 1, 2023 and because no additional contributions were made to increase the carrying value during the six months ended June 30, 2023, no share of loss is recognized.

Investment in Radar USA Inc. (“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%.

(Expressed in United States dollars)

12. INVESTMENT IN JOINT VENTURES (continued)

Investment in Radar USA (continued)

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 six months ended June 30, 2023, the Company provided consulting services to Radar USA, and the total revenue earned from those services was $60,000 (2022-$180,000). 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 to sublease 50% of the lease between the Company and Cracker Factory, LLC ("Cracker") for an office space. The Company and Radar USA each paid $22,108 relating to these rentals during the six months ended June 30, 2023 (2022-$11,068).

Summarized statement of financial position of Radar USA

		June 30, 2023		**December 31, 2022**
Current				
Cash	**$**	108,689	$	666,935
Other assets		283,937		275,061
		392,626		941,996
Non-Current				
Equipment		109,544		-
Total Assets	$	502,170	$	941,996
Current				
Accounts payable and accrued liabilities	$	83,053	$	74,617
Other current liabilities		111,887		1,000
		194,940		75,617
Total Liabilities		194,940		75,617
Equity		307,230		866,379
Total Liabilities and Equity	$	502,170	$	941,996

(Expressed in United States dollars)

12. INVESTMENT IN JOINT VENTURES (continued)

Investment in Radar USA (continued)

Summarized statement of loss of Radar USA:

		June 30, 2023		June 30, 2022
Revenue	$	8,876	$	-
General and administrative expenses		(564,333)		(268,949)
Net loss for the period		(555,457)		(268,949)
Company's 23.57% share of net loss	$	(130,921)	$	(63,391)

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30, 2023		December 31, 2022
Accounts payable	$	1,886,455	$	1,059,453
Accrued liabilities		924,787		346,367
Accrued interest (Note 14)		58,085		36,169
	$	2,869,327	$	1,441,989

14. LOANS PAYABLE

Loans payable		
Balance, December 31, 2021	$	339,759
Additions		365,350
Repayments		(134,549)
Settlement through shares		(447,185)
Foreign exchange gain		(30,271)
Balance, December 31, 2022	$	93,104
Additions		684,000
Repayments		(349,000)
Foreign exchange loss		2,076
Balance, June 30, 2023	$	430,180

During the six months ended June 30, 2023, the Company recorded $68,480 (June 30, 2022 - $11,602) in interest expense included in finance cost. As at June 30, 2023, there was accrued interest of $58,085 (December 31, 2022 - $36,169) included in accounts payable and accrued liabilities.

(Expressed in United States dollars)

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, 2021	$	128,534
Additions		128,825
Depreciation expense		(84,177)
Balance, December 31, 2022		173,182
Additions		-
Depreciation expense		(45,479)
Balance, June 30, 2023	$	127,703

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

Lease liability		**June 30, 2023**		**December 31, 2022**
Current portion	$	146,443	$	138,478
Long-term portion		97,938		168,827
Total lease liability	$	244,381	$	307,305

At June 30, 2023, the Company is committed to minimum lease payments as follows:

Maturity analysis		**June 30, 2023**		**December 31, 2022**
Less than one year	$	164,009	$	163,251
One to five years		102,159		179,951
Total undiscounted lease liabilities	$	266,168	$	343,202

Amounts recognized in profit or loss		**June 30, 2023**		**June 30, 2022**
Interest on lease liabilities	$	9,245	$	11,473
Interest income on sublease	$	(4,865)	$	(4,261)
	$	4,380	$	7,212

Amounts recognized in the statement of cash flows		**June 30, 2023**		**June 30, 2022**
Interest paid	$	9,245	$	11,473
Principal payments on lease liabilities		62,924		39,031
Total cash outflows for leases	$	72,169	$	50,504

On March 15, 2022, the Company entered into a sublease agreement related to office space. At June 30, 2023 and December 31, 2022, the Company's lease receivable related to office leases is as follows:

(Expressed in United States dollars)

15. LEASES (continued)

Lease receivable		June 30, 2023		December 31, 2022
Current portion	$	45,047	$	37,953
Long-term portion		42,288		65,625
Total lease receivable	$	87,335	$	103,578

Maturity analysis		June 30, 2023		December 31, 2022
Less than one year	$	51,769	$	46,737
One to five years		44,259		70,401
Total undiscounted lease receivable	$	96,028	$	117,138

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 six months ended June 30, 2023, the Company issued an aggregate of:

- 494,108 common shares for the exercise of warrants for proceeds of $63,569 (CAD$ 86,469) of which $1,840 (CAD$2,471) was reclassified from reserves.
- 1,006 common shares for the exercise of options for proceeds of $195 (CAD$263) of which $68 (CAD$92) was reclassified from reserves.
- 41,750 common shares were issued related to the vesting of RSUs, and as a result $22,166 has been reclassed from reserves.

During the six months ended June 30, 2022, the Company issued an aggregate of:

- 10,185,468 common shares for the exercise of warrants for proceeds of $$1,393,462 (CAD$1,772,174) of which $355,203 was reclassed from obligation to issue shares, and as a result, $37,792 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.
- 144,534 common shares were issued for consulting services with a fair value of $113,337; and
- 125,000 common shares issued in error were returned to treasury.

b) Warrants

On July 9, 2021, the Company formed a joint venture, Winkel (Note 12). 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:

16. SHAREHOLDERS' EQUITY (continued)

b) Warrants (continued)

- 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");

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 June 30, 2023, 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%. $260,911 has been recorded to share-based payments expense during the six months ended June 30, 2023.

In addition, to the above warrants, the Company 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 June 30, 2023, the Company had not issued the additional 5,000,000 warrants to Modelo despite the satisfaction of Milestone 3. An obligation to issue warrants was 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, $57,669 (CAD$77,725) has been recorded to share-based payments expense during the six months ended June 30, 2023.

(Expressed in United States dollars)

16. SHAREHOLDERS' EQUITY (continued)

b) Warrants (continued)

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, 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	$	0.37
Exercised	(494,108)		0.17		0.13
Outstanding, June 30, 2023	**80,995,054**	**$**	**0.50**	**$**	**0.37**

As at June 30, 2023, 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	0.09	August 28, 2023	838,258
14,097,562	0.17	0.13	August 28, 2023	14,097,562
5,559,045	0.17	0.13	September 22, 2023	5,559,045
8,889,892	0.65	0.48	June 29, 2024	8,889,892
188,000	0.50	0.37	June 29, 2024	188,000
15,500,000	0.84	0.62	March 18, 2026	7,750,000
22,149,935	0.50	0.37	July 28, 2025	22,149,935
1,533,336	0.30	0.22	July 28, 2025	1,533,336
8,871,831	0.50	0.37	August 31, 2025	8,871,831
125,000	0.30	0.22	November 10,2025	125,000
3,242,195	0.50	0.38	November 10,2025	3,242,195
80,995,054	**$ 0.49**	**0.37**		**73,245,054**

As at June 30, 2023, the weighted average remaining contractual life of outstanding warrants is 1.62 years.

(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, 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
Granted	5,606,000		0.25		0.18
Exercised	(1,006)		0.17		0.13
Expired	(2,820,000)		0.30		0.22
Forfeited	(415,000)		0.81		0.60
Outstanding, June 30, 2023	**16,695,827**	**$**	**0.44**	**$**	**0.31**
Exercisable, June 30, 2023	**12,531,494**	**$**	**0.40**	**$**	**0.26**

*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.

(Expressed in United States dollars)

16. SHAREHOLDERS' EQUITY (continued)

c) Options (continued)

As at June 30, 2023, the following stock options were outstanding and exercisable:

Number of options outstanding	Exercise price ($CAD)	Exercise price ($USD)	Expiry date	Number of options exercisable
50,000	0.30	0.22	December 15, 2024	50,000
250,000	0.30	0.22	January 12, 2025	250,000
2,048,994	0.17	0.13	October 6, 2025	2,048,994
150,000	0.17	0.13	October 9, 2025	150,000
300,000	0.25	0.18	November 24, 2025	300,000
150,000	0.73	0.54	March 8, 2026	150,000
3,012,500	0.51	0.38	August 10, 2026	3,012,500
33,333	0.60	0.44	August 20, 2026	16,667
250,000	0.57	0.42	August 23, 2026	250,000
275,000	0.75	0.55	September 20, 2026	275,000
30,000	0.97	0.72	October 1, 2026	30,000
120,000	1.62	1.20	November 18, 2026	120,000
150,000	1.25	0.92	December 15, 2026	50,000
3,040,000	0.81	0.60	January 27, 2027	1,180,000
195,000	0.81	0.60	January 31, 2027	65,000
100,000	0.54	0.40	April 27, 2027	33,333
150,000	0.28	0.21	August 18, 2027	-
1,075,000	0.30	0.22	October 24, 2027	725,000
5,446,000	0.25	0.18	March 31, 2028	3,825,000
16,695,827	**$ 0.50**	**$ 0.38**		**12,531,494**

As at June 30, 2023, the weighted average remaining contractual life of outstanding options is 3.67 years.

During the six months ended June 30, 2023, the Company granted 5,606,000 options with a fair value of $422,871. Share-based payments relating to options vesting during the six months ended June 30, 2023, using the Black- Scholes option pricing model was $717,084 (2022-$ 705,352).

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)

c) Options (continued)

The fair value of stock options granted during the six months ended June 30, 2023, was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	June 30, 2023	June 30, 2022
Risk-free interest rate	3.02%	1.64% to 2.63%
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 six months ended June 30, 2023, using the Black- Scholes option pricing model was $8,568 (2022 - $66,585). The RSUs issued during the 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% vested 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

(Expressed in United States dollars)

16. SHAREHOLDERS' EQUITY (continued)

d) Restricted Share Units ("RSU") (continued)

Continuity of the Company's RSUs is as follows:

	Number of RSUs		Weighted average exercise price ($CAD)		Weighted average exercise price ($USD)
Outstanding, December 31, 2021	383,500	$	0.87	$	0.65
Granted	100,000		0.28		0.21
Exercised	(41,750)		0.72		0.54
Outstanding, December 31, 2022	441,750	$	0.75	$	0.56
Exercised	(41,750)		0.72		0.54
Forfeited	(100,000)		0.57		0.43
Outstanding, June 30, 2023	**300,000**	**$**	**0.44**	**$**	**0.31**
Exercisable, June 30, 2023	**100,000**	**$**	**0.37**	**$**	**0.26**

(Expressed in United States dollars)

17. EXPENSES BY NATURE

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Marketing expenses	$ 191,082	$ 216,863	$ 364,570	$ 747,086
Meals and entertainment	4,037	12,105	22,264	22,307
Tradeshow expenses	405	10,920	45,028	33,295
Salaries and wages	361,250	305,946	718,583	611,276
Total sales and marketing expense	$ 556,774	$ 545,834	$ 1,150,445	$ 1,413,964
General and administrative expenses	$ 137,498	$ 150,550	$ 327,154	$ 354,792
Professional fees	140,027	152,495	232,322	275,291
Consulting fees	184,253	128,531	272,064	240,489
Management fees	-	62,500	62,500	114,072
Rent	4,039	3,425	7,315	6,520
Salaries and wages	36,919	83,584	129,201	178,656
Travel	36,060	75,764	105,182	122,157
Depreciation (Note 6)	11,580	11,810	22,937	21,572
Lease-related depreciation (Note 15)	22,740	22,741	45,479	38,700
Utilities	15,907	13,949	30,706	22,783
Bad debt expenses	168,640	33,528	32,631	72,556
Penalties and fees	4	-	529	-
Transfer agent and filing fees	8,845	22,671	23,549	30,126
Total general and administrative expense	$ 766,512	$ 761,548	$ 1,291,569	$ 1,477,714
Consulting fees	$ 266,455	$ 303,887	$ 535,240	$ 571,956
Contract development and materials expense	18,518	37,038	101,586	63,538
Salaries and wages	253,135	182,227	550,905	389,645
Total research and development expenses	$ 538,108	$ 523,152	$ 1,187,731	$ 1,025,139

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.

(Expressed in United States dollars)

18. RELATED PARTY TRANSACTIONS (continued)

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Management fees	$ 231,400	$ 299,900	$ 531,300	$ 601,800
Share-based compensation	(89)	180,609	661,314	394,651
	$ 231,311	$ 480,509	$ 1,192,614	$ 996,451

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

As of June 30, 2023, an amount of $235,000 was owing to two board of directors and was included in the loans payable balance. These loans accrue interest at rates between 48% and 60% per annum, and they are secured against the Company's accounts receivables.

Other related party transactions
During the six months ended June 30, 2023, and 2022, other related party transactions consisted of the following:

	Three months ended June 30, 2023	**Three months ended June 30, 2022**	**Six months ended June 30, 2023**	**Six months ended June 30, 2022**
Revenue earned on the sale of hardware to Winkel, included in hardware revenue	$ -	$ -	$ -	$ 258,850
Revenue earned on the provision of installation services to Winkel, included in professional services revenue	$ -	$ -	$ -	$ 98,250
Revenue earned on the sale of software, included in license fee revenue	$ 1,800	$ -	$ 1,800	$ 35,850
Revenue earned on the provision of consulting services, included in professional services revenue	$ 28,768	$ 150,000	$ 60,000	$ 180,000
Rental income on sublease	$ 13,414	$ 11,068	$ 22,108	$ 11,068
Director fees, included in general and administrative expenses	$ -	$ 4,000	$ -	$ 8,000
Marketing expenses paid to a related entity, included in sales and marketing expenses	$ 114,663	$ 50,093	$ 224,948	$ 239,997
Accounting and administrative fees paid to related entities, included in general and administrative expenses	$ 20,448	$ 26,493	$ 40,895	$ 39,805
Interest expense for notes payable to related parties, excluding discount accretion	$ 48,045	$ -	$ 61,524	$ -

(Expressed in United States dollars)

18. RELATED PARTY TRANSACTIONS (continued)

Related party balances

At June 30, 2023, $ 493,815 (December 31, 2022 - $121,733) 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 June 30, 2023, $ 1,560,222 (December 31, 2022 - $1,963,979) was due from Winkel and is included in trade and other receivables. The amount is interest bearing at 5.0% per annum. A provision has been recognized against this amount.

During the six months ended June 30, 2023, the Company advanced an additional $90,181 to Winkel under the bridge loan agreement. The balance of the bridge loan was determined not be collectible and impaired from a total of $2,121,436 (Note 12) to $Nil.

At June 30, 2023, $36,871 (December 31, 2022 - $6,430) was due from Radar USA Inc and is included in trade and other receivables. The amount is non-interest bearing and due on demand.

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:

	June 30, 2023		December 31, 2022	
	United States	Total	United States	Total
Inventory	$ 44,995	$ 44,995	$44,995	$ 44,995
Property and Equipment	$ 66,273	$ 66,273	$85,759	$ 85,759
Lease asset	$ 127,703	$ 127,703	$173,182	$ 173,182

	June 30, 2023			June 30, 2022		
	United States	Other	Total	United States	Other	Total
Revenue	$ 282,743	$ 7,284	$ 290,027	$988,629	$221,890	$1,210,519

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 six months ended June 30, 2023, 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 June 30, 2023, 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 is not exposed to significant foreign exchange risk.

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 June 30, 2023, 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.

(Expressed in United States dollars)

21. FINANCIAL RISK MANAGEMENT (continued)

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

	June 30, 2023	December 31, 2022
Current	$ 98,742	$ 88,761
1- 30 days	9,464	-
31- 60 days	16,600	10,717
61 - 90 days	45,120	12,751
91+ days	858,763	2,263,325
Provision for doubtful accounts and Winkel reserve	(934,456)	(911,003)
Total	$ 94,233	$ 1,464,551

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 June 30, 2023, 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 approximates their carrying value, excluding discounts, due to minimal changes in interest rates and the Company's credit risk since issuance of the instruments.

(Expressed in United States dollars)

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.

As at June 30, 2023, included in accounts payable is a liability of $587,759 (including $77,760 late payment interest charges), based on the statement of work (2022 - $587,759).

24. SUPPLEMENTAL CASHFLOW INFORMATION

		June 30, 2023		June 30, 2022
Supplemental cash flow disclosures:				
Interest paid	$	59,245	$	58,212
Non-Cash Investing and Financing Activities:				
Fair value of warrants, options and RSUs exercised	$	24,074	$	211,327

25. SUBSEQUENT EVENTS

Non brokered private placement

During July and August 2023, the Company closed the first, second and third tranches of a non-brokered private placement (the "Private Placement") offering of units of the Company ("Units") at a price of $0.05 per Unit (the "Offering") for gross aggregate proceeds of approximately $4,172,850. 83,457,000 units were issued by the Company. As part of the Second Tranche, the Company also settled an aggregate of $80,000 of outstanding indebtedness in consideration for 1,600,000 Units issued at a price of $0.05 per Unit.

Each Unit was comprised of one common share in the capital of the Company (a "Share") and one Share purchase warrant (a "Warrant"), with each Warrant entitling the holder thereof to acquire one additional share (a "Warrant Share") at a price of $0.075 per Warrant Share within 5 years from the applicable closing date.

25. SUBSEQUENT EVENTS (continued)

Non brokered private placement (continued)

In connection with the Private Placement, the Company paid finders fees of $124,865 and issued an aggregate of 3,091,900 Share purchase warrants (the "Finders Warrants") and 900,900 Shares to eligible finders. Each Finders Warrant entitles the holder thereof to acquire one Share at a price of $0.075 per Share for a period of 24 months from the applicable closing date. In addition, the Company paid $45,000 and issued 300,000 Shares as corporate advisory fees in connection with the Private Placement.

Promissory notes

Subsequent to the period ended June 30, 2023, the Company issued additional promissory notes for a total principal amount of $280,000. These promissory notes, classified as Loans Payable, accrue effective interest at rates between 48% and 60% per annum, and they are secured against the Company's accounts receivables.

Through August 28, 2023, $305,000 of notes issued have been repaid with the remaining $280,000 of these notes anticipated to be repaid by October 25, 2023. From the principal amount received, $125,000 remains owing at August 28 to two directors.

Winkel

In the second quarter 2022, Austin GIS took over Winkel's equipment sales and related financing duties from the Company. Winkel has since fallen behind in its payments. As an Obligor, the Company received a demand from Austin for payment of $800,000. The company has paid Austin $400,000 on behalf of Winkel with the parameters of the transaction are still being negotiated.