RDARS Inc.

Interim Condensed Financial Statements

(Unaudited)

August 31, 2022

The accompanying unaudited condensed interim consolidated financial statements of RDARS Inc. (the "Company") have been prepared by and are the responsibility of the management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

RDARS Inc.
Interim Condensed Statements of Financial Position (Unaudited)
(expressed in Canadian dollars)

	Notes	August 31 2022	November 30 2021
ASSETS			
Current assets			
Cash and cash equivalents		$ 2,255,977	$ 90,892
Harmonized sales tax receivable		74,257	141,949
Prepaid expenses and deposits		70,738	61,239
Total current assets		2,400,972	294,080
Non-current assets			
Intangible assets	5	1,031,700	793,416
Total assets		$ 3,432,672	$ 1,087,496
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities	6	$ 991,622	$ 1,069,301
Loans payable	7	-	279,149
Convertible debenture host liability	8	-	296,174
Accrued interest on convertible debentures	8	16,703	83,630
Total current liabilities		1,008,325	1,728,254
Non-current liabilities			
Promissory notes payable	7	1,010,424	-
Convertible debenture host liability	8	658,931	941,273
Convertible debenture derivative liability	8	-	859,081
Total non-current liabilities		1,669,355	1,800,354
Total liabilities		2,677,680	3,528,609
Shareholders' equity (deficiency)			
Share capital	9	4,668,349	1,249,936
Warrants reserve	10	975,714	275,098
Convertible debentures reserve	8	29,421	13,596
Options reserve		24,725	-
Deficit		(4,943,217)	(3,979,743)
Total shareholders' equity (deficiency)		754,992	(2,441,113)
Total liabilities and shareholders' equity (deficiency)		$ 3,432,672	$ 1,087,496

The accompanying notes are an integral part of the interim condensed financial statements
See Going Concern Note 1

Approved on Behalf of the Board:

Anthony Heller, Director   Binyomin Posen, Director

RDARS Inc.

Interim Condensed Statements of Loss and Comprehensive Loss (Unaudited)

For the three- and nine-month periods ended August 31, 2022

(Expressed in Canadian dollars)

	Notes	Three months ended August 31 2022	Three months ended August 31 2021	Nine months ended August 31 2022	Nine months ended August 31 2021
Revenue		$ -	$ -	$ -	$ -
Selling and marketing		11,122	10,748	11,122	24,584
Administration		470,700	312,071	1,249,921	975,135
Prototype engineering	6	5,534	-	5,534	-
Total expenses		487,356	322,819	1,266,578	999,718
Loss before other income (expenses)		(487,356)	(322,819)	(1,266,578)	(999,718)
Other income (expenses)					
Interest expense		(136,121)	(67,265)	(347,858)	(130,687)
Interest income		4,180	-	4,180	-
Share-based compensation	8	-	-	(24,725)	-
Gain on derivative liability	8	482,492	35,187	712,525	108,807
Foreign currency translation	3	(70,393)	(53,520)	(41,018)	11,928
Total other income (expenses)		280,158	(85,599)	303,103	(9,952)
Net loss and comprehensive loss		(207,198)	(408,416)	$ (963,474)	$ (1,009,669)
Weighted average shares outstanding		295,668,893	246,225,600	262,826,998	246,225,600
Net loss per share - Basic	11	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Net loss per share - Diluted	11	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)

The accompanying notes are an integral part of the interim condensed financial statements

RDARS Inc.
Interim Condensed Statements of Changes in Shareholders' Equity (Deficiency) (Unaudited)
For the nine-month period ended August 31, 2022 and 2021
(Expressed in Canadian dollars)

	Notes	Number of Shares	Share Capital	Convertible Debentures Reserve	Warrant Reserve	Options Reserve	Deficit	Total
			$	$	$	$	$	$
Balance at November 30, 2020		246,225,600	1,249,937	-	233,693		(1,996,216)	(512,586)
Net loss and comprehensive loss		-	-	-	-		(1,009,669)	(1,009,669)
Balance at August 31, 2021		246,225,600	1,249,937	-	233,693		(3,005,885)	(1,522,255)
Balance at November 30, 2021		246,225,600	1,249,937	13,596	275,098	-	(3,979,743)	(2,441,111)
Share-based compensation	8	-	-	-	-	24,725	-	24,725
Issuance of stock		55,068,000	1,966,699	-				1,966,699
Conversion of convertible debentures	8	34,380,817	1,451,713	-				1,451,713
Issuance of convertible debentures	8	-	-	15,825	-	-	-	15,825
Issuance of warrants	10	-	-	-	700,617	-	-	700,617
Net loss and comprehensive loss		-	-	-	-	-	(963,474)	(963,474)
Balance at August 31, 2022		335,674,417	4,668,349	29,421	975,715	24,725	(4,943,217)	754,993

The accompanying notes are an integral part of the interim condensed financial statements

RDARS Inc.

Condensed Interim Statements of Cash Flows (Unaudited)
For the nine-month period ended August 31, 2022 and 2021
(Expressed in Canadian dollars)

	Notes	Nine months ended August 31 2022	2021
Cash flows from operating activities:			
Net loss		$ (963,474)	$ (1,009,667)
Gain on debentures	8	(712,525)	(108,807)
Accrued interest on convertible debenture host liability		109,114	54,239
Amortization of convertible debenture host liability	8	210,128	89,659
Share-based compensation		24,725	-
Total changes in non-cash items		(368,559)	35,091
Changes in non-cash working capital	12	410,484	(152,658)
Net cash used in operating activities		(921,548)	(1,127,234)
Cash flows from investing activities:			
Prototype development costs	6	(238,285)	(76,038)
Net cash used in investing activities		(238,285)	(76,038)
Cash flows from financing activities:			
Proceeds from issuance of convertible debentures	9	45,150	1,182,880
Restricted cash released from conversion of subreceipts		2,651,681	-
Proceeds from issuance of debentures	8	-	21,800
Proceeds from loans payable	13	628,086	181,525
Payments on loans payable		-	(175,000)
Net cash provided by (used in) financing activities		3,324,917	1,211,205
Net increase in cash and cash equivalents		2,165,083	7,934
Cash and cash equivalents, beginning of period		90,892	1,335
Cash and cash equivalents, end of period		2,255,976	9,268

The accompanying notes are an integral part of the interim condensed financial statements

1. Nature of Operations and Going Concern

RDARS Inc. ("RDARS") (the "Company") was incorporated under the Ontario Business Corporations Act on May 16, 2019. The Company's registered address is at 2 Covington Rd, Suite 507, North York, ON M6A 3E2. The name RDARS stands for Real-Time Drone Alarm Response System, which describes the Company's prototype development of a real time drone technology system for alarm response. On September 7, 2022, the Company commenced trading on the Canadian Securities Exchange (the "CSE") under the symbol "RDRS".

These financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The application of the going concern basis is dependent upon the Company achieving profitable operations to generate sufficient cash flows to fund continuing operations, or, in the absence of adequate cash flows from operations, obtaining additional financing to support operations for the foreseeable future. It is not possible to predict whether future financing efforts will be successful or if the Company will attain profitable levels of operations.

RDARS is a technology company in the development phase with no revenue. The Company incurred net losses for the nine months ended August 31, 2021 and 2021 of $963,474 and $1,009,669, respectively. In addition, at August 31, 2022, the Company has an accumulated deficit of $4,943,217 and relies on equity offerings for continued operations. These conditions indicate the existence of material uncertainties which cast significant doubt about the Company's ability to continue as a going concern.

These financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. Such adjustments could be material.

2. Basis of Presentation

(a) Statement of Compliance

The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC") as of July 29, 2022, which is the date these financial statements were approved for issue by the Company's Board of Directors.

(b) Basis of Measurement

These financial statements have been prepared on a historical cost basis except for certain financial instruments which are stated at fair value upon initial recognition. The financial statements are presented in Canadian dollars unless otherwise indicated.

(c) Covid-19 Impact

On March 11, 2020, the World Health Organization recognized the outbreak of COVID-19 as a global pandemic. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses, materially impact the Company's operations during the subsequent months of 2020. Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company's business, financial position and operating results in the future. Additionally, it is possible that estimates in the Company's financial statements will change in the near term as a result of COVID-19. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

3. Summary of significant accounting policies

(a) Foreign Currency

Foreign Currency Translations

IAS 21, the effects of changes in foreign exchange rates, takes a functional currency approach. The Company determines its functional currency as the currency of the primary economic environment in which the entity operates. Management reviewed the primary and secondary indicators in IAS 21 and determined the functional currency of the Company is its local currency.

Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of each subsidiary at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss resulting from the settlement of such transactions and from the translation at the reporting date of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

(b) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, bank balances, and short-term deposits with original maturities of three months or less.

(c) Internally Generated Intangible Assets - Research and Development Expenditures

Expenditures on research activities are recognized as an expense in the period incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized 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;

Understanding of how the intangible asset will generate probable future economic benefits;

Availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and,

The ability to reliably measure 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 expenditures are recognized in profit or loss in the period 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.

All costs in the period were determined to be development expenses and are being capitalized. There were no costs in the period determined to be research costs and so there were no items expensed to the income statement related to the prototype. The Company's prototype is still considered to be in the development phase and has not begun amortization.

(d) Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(e) Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the statements of loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(f) Financial instruments

The Company recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. Under IFRS 9, such financial assets or financial liabilities are initially recognized at fair value and the subsequent measurement depends on their classification.

<u>Financial Assets</u>

The Company classifies its financial assets into two categories, depending on the cash flow characteristics of the assets and the business objective for managing the assets. Financial assets are derecognized when the contractual rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. The Company's accounting policy for each category is as follows:

Amortized cost - Assets are held within a business model with the objective of collecting their contractual cash flow; and the contractual cash flows consist solely of payments of principal and interest. They are recognized initially at fair value plus directly attributable transaction costs, and subsequently measured at amortized cost less cumulative impairment losses. A gain or loss on a debt investment is recognized in profit and loss when the asset is derecognized or impaired.

Fair value through profit and loss (FVTPL) - Assets that do not meet the criteria for amortized cost or Fair value through other comprehensive income (FVOCI) are measured at FVTPL. A gain or loss on a financial asset measured at FVTPL that is not part of a hedging relationship is recognized in profit and loss and presented on a net basis in the period in which it arises. IFRS 9 contains an option to designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an 'accounting mismatch' that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The option to designate a financial asset at FVTPL is available at initial recognition and is irrevocable.

Financial assets are reclassified when and only when an entity changes its business model for managing financial assets. Any such reclassifications are applied prospectively from the date of the reclassification.

Financial Liabilities

Under IFRS 9, financial liabilities are primarily classified at amortized cost with limited exceptions. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires. The Company's accounting policy for each category is as follows:

FVTPL - This category comprises derivatives, liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term, and certain financial liabilities that were designated at FVTPL from inception. IFRS 9 contains an option to designate a financial liability as measured at FVTPL if doing so eliminates or significantly reduces an 'accounting mismatch' that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The option to designate a financial liability at FVTPL is available at initial recognition and is irrevocable.

Amortized cost - Financial liabilities are recognized initially at fair value net of directly attributable transaction costs. They are subsequently recognized at amortized cost using effective interest method with interest expense recognized on an effective yield basis.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the Company has a legal right to offset the amounts and it intends to either settle on a net basis or realize the asset and settle the liability simultaneously.

The Company's classification and measurements of financial assets and liabilities are summarized below:

Financial Instrument	Classification and measurement
Cash and cash equivalents	Amortized Cost
Accounts payable and accrued liabilities	Amortized Cost
Loans payable to shareholders	Amortized Cost
Convertible debenture host liability	Amortized Cost
Convertible debenture derivative liability	FVTPL

Fair value hierarchy - IFRS 7, Financial instruments: Disclosures, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities. The Company currently has no level 1 financial instruments.

Level 2: Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The Company classifies the convertible debenture derivative liability as a level 2 financial instrument.

Level 3: Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Company currently has no level 3 financial instruments.

During the periods ended August 31, 2022 and 2021, there were no transfers of amounts between fair value levels.

(g) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(h) Warrants

The Company follows the relative fair value method with respect to the measurement warrants issued as part of convertible debentures. The proceeds from the issuance are allocated between the host liability and warrants. The warrant component is recorded in equity reserves. Unit proceeds are allocated to liability and warrants using the Black-Scholes option pricing model and the share price at the time of financing. If and when the warrants are exercised, consideration paid by the warrant holder, together with the amount previously recognized in equity reserves, is recorded as an increase to share capital. Upon expiration of warrants, the amount applicable to expired warrants is moved to contributed surplus.

(i) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. The dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

(j) Related party transactions

Related parties include key management personnel and the entities controlled or directed by key management personnel. Key management personnel include Board of Directors and key executives of the Company together with certain individuals responsible for outsourced services who in the opinion of the Company have satisfied relevant criteria to be considered key management personnel under applicable accounting standards based on the information available as of the date of issuance of these financial statements.

(k) Subsequent events

Events after the reporting period, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue are evaluated by the Company to determine if any adjustment to the financial statements is required. Events that provide evidence of conditions that existed at the end of the reporting period (adjusting events) are reflected in the financial statements. Events that are indicative of conditions that arose after the reporting period (non-adjusting events) are not reflected in the financial statements but are disclosed in Note 15 if they are material.

4. Critical Accounting Estimates and Judgements

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting year. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the year in which the estimate is revised and future years if the revision affects both current and future years. 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.

Significant judgements, estimates and assumptions that have the most significant effect on the amounts recognized in the financial statements include going concern (Note 1), intangible assets (Note 5) and the fair value of financial instruments (Note 8).

Valuation of Convertible Debentures Derivative Liability

Company-specific information is considered when determining whether the fair value of a derivative should be adjusted upward or downward at the end of each reporting period. In addition to company-specific information, the Company will take into account trends in general market conditions and the share performance of comparable publicly traded companies when valuing equity investments. Use of this valuation approach may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized or realizable. Adjustment to the fair value of equity investments will be based upon management's judgment and any value estimated may not be realized or realizable. The resulting values for non-publicly traded equity investments may differ from values that would be realized if a ready market existed.

Recognition of employee stock compensation expense

(l) Share-Based Payments

Certain directors and operators of the Company are eligible to receive share-based payments under the Employee Stock Option Plan (the "ESOP"). The costs of share-based payments are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "Vesting Date"). The cumulative expense is recognized for such transactions at each reporting date until the Vesting Date and reflects the Company's best estimate of the number of equity instruments that will ultimately vest.

The fair value of the options granted under the ESOP is measured using the Black-Scholes option pricing model ("Black-Scholes") taking into account the terms and conditions which the options were granted, the estimated volatility, estimated risk free rate and estimated forfeitures. In situations where equity instruments are issued to parties other than employees and the fair value of some or all of the goods or services received by the entity as consideration cannot be reliably measured, the transactions are measured at the fair value of the instruments.

(Expressed in Canadian dollars, unless otherwise noted)

If a grant of the share-based payments is cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the Company accounts for the cancellation or settlement as an acceleration of vesting and recognized immediately the amount that otherwise would have been recognized for services over the remainder of the vesting period.

Estimated useful lives, impairment considerations and amortization of intangible assets

Amortization of intangible assets is dependent upon estimates of useful lives based on management's judgment.

Determination of whether and when costs require capitalization for research and development activities requires significant judgement on the part of management. To do so, management must distinguish costs associated with the internally developed intangible asset and the cost of maintaining or enhancing the Company's goodwill. Management must also determine at what point in time the asset crosses from the research to the development phase to trigger capitalization.

Impairment of definite long-lived assets is influenced by judgment in determining the indicators of impairment and estimates used to measure impairment losses.

Ability to continue as a going concern

In order to assess whether it is appropriate for the Company to continue as a going concern, management is required to apply judgement and make estimates with respect to future cash flow projections.

In arriving at this judgement, there were a number of assumptions and estimates involved in calculating these future cash flow projections. This includes making estimates regarding the timing and amounts of future expenditures and the ability and timing of raising additional financing.

5. Intangible assets

Intangible assets as of August 31, 2022 and November 30, 2021 were as follows:

		Prototype
Cost:		
Balance at November 30, 2020	$	717,378
Additions		76,038
Balance at August 31, 2021	$	793,416
Balance at November 30, 2021	$	793,416
Additions		238,284
Balance at August 31, 2022	$	1,031,700

(Expressed in Canadian dollars, unless otherwise noted)

6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities as of August 31, 2022 and November 30, 2021 were as follows:

		August 31 2022		November 30 2021
Prototype development	$	80,567	$	112,570
Accounting and administrative services		911,055		956,732
	$	991,622	$	1,069,301

7. Loans payable

Loans payable as of August 31, 2022 and November 30, 2021 were as follows:

		August 31 2022		November 30 2021
Total payable Anthony Heller	$	-	$	133,960
Total payable Charles Zwebner		-		145,189
	$	-	$	279,149

Unless otherwise noted below, loans are unsecured, not interest bearing and payable on demand.

8. Convertible Debentures

On March 11, 2021, the Company issued unsecured convertible debentures (the "March Debentures") in the principal amounts of CDN$700,000 and US$400,000, with an interest rate of 10% per annum accruing and payable upon the earlier of December 31, 2022 or a Liquidity Event[1].

The fair value of the embedded derivative for the March Debentures was initially determined using the Black-Scholes valuation model through a "waterfall" using a series of simultaneous options models. Management made the following assumptions on August 26, 2022: $nil dividends; 60% volatility; risk-free interest rate of 3.37%.

The March Debentures principal and accrued interest were converted to 34,380,817 common shares on August 26, 2022, upon the Company's shares being approved for listing on the CSE, at $0.04 per share. Any difference between carrying value and the value of the debentures upon conversion was recognized as a gain within other income in the Company profit and loss statement.

[1] "Liquidity Event" means the completion of either (i) an initial public offering, reverse takeover, business combination or other similar transaction pursuant to which the Common Shares become listed on a recognized stock exchange in Canada or the United States or (ii) any transaction whereby the Company or its shareholders receive and accept (A) an offer to acquire more than 50% of the commons then outstanding or (B) an offer to acquire all or substantially all of the assets of the Company.

On November 22, 2021, the Company issued 350 convertible debentures units (the “November Debentures Units") at a price of $1,000 per November Debenture Unit, for gross proceeds of $350,000. Each November Debenture Unit is comprised of (i) $1,000 of principal amount unsecured convertible debentures (“November Debentures”) and (ii) 333 warrants (“November Warrants”) to purchase 333 common shares in the capital of the Company exercisable at a price of $6.00 per common share expiring November 22, 2023. The November Debentures maturity was extended to October 1, 2023 (the "November Debenture Maturity Date"). The principal amount of the November Debentures accrue simple interest at a rate of 5% per annum, payable in cash upon conversion or the November Debenture Maturity Date. The November Debentures together with any unpaid interest, may be convertible into common shares at the option of the holder, in whole or in part, at a conversion price per common share of $3.00 at any time prior to the November Debenture Maturity Date.

The fair value of the equity components for the November Debentures was determined using the Black-Scholes valuation model through a “waterfall” using a series of simultaneous options models. Management made the following assumptions on November 22, 2021: expected life of 1.08 years; $nil dividends; 80% volatility; risk-free interest rate of 0.24%.

On June 30, 2022, Arba Four Holdings Three LLC converted their loan, with accrued interest, into convertible debentures, as follows, (i) $329,657 of principal amount unsecured convertible debenture (the “June Debenture”), and (ii) 6,593,137 common share purchase warrants exercisable at a price of $0.10 per common share until June 30, 2024. The June Debenture matures on October 1, 2023 (the “June Debenture Maturity Date”). The June Debenture accrues simple interest at a rate of 5% per annum, payable in cash upon conversion or the June Debenture Maturity Date. The June Debenture together with any unpaid interest, may be convertible into common shares at the option of the holder, in whole or in part, at a conversion price of $0.05 per common share at any time prior to the June Debenture Maturity Date. In addition, on June 30, 2022, the Company closed an additional subscription for convertible debentures, on the same terms of the June Debentures, as follows, (i) $45,150 of principal amount of June Debentures, and (ii) 903,000 common share purchase warrants exercisable at a price of $0.10 per common share until June 30, 2024.

The fair value of the equity components for the June Debenture was determined using the Black-Scholes valuation model through a “waterfall” using a series of simultaneous options models. Management made the following assumptions on June 30, 2022: expected life of 2.00 years; $nil dividends; 60% volatility; risk-free interest rate of 2.92%.

(Expressed in Canadian dollars, unless otherwise noted)

Balances and activity for the nine months ended August 31, 2022 are as follows:

Balance - November 30, 2021	$ 1,237,447
Accretion	303,667
Gain on conversion of March Debentures	(63,859)
Conversion of March Debentures to stock	(1,129,116)
Conversion of loan to June Debentures	323,737
Balance - August 31, 2022	$ 658,931

	Derivative Liability
Balance - November 30, 2021	$ 859,081
Change in fair value	(536,484)
Conversion of March Debentures to stock	(322,597)
Balance - August 31, 2022	$ -

9. Share capital

(a) Authorized

The Company is authorized to issue an unlimited number of common shares without par value. The holders of the common shares are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

(b) Issued and outstanding

On December 30, 2021, the Company filed articles of amendment to subdivide all of its issued and outstanding common shares on the basis of sixty (60) common shares for each one (1) common share currently issued and outstanding (the “Split”). As a result, the 4,103,760 common shares issued and outstanding prior to the Split became 246,225,600 common shares post-Split.

The effects of the Split have been applied retroactively throughout these interim condensed financial statements.

(c) Subscription rights offering

On December 30, 2021, the Company closed a non-brokered private placement of 42,100,000 subscription receipts (the "Subscription Receipts"), at a price of $0.05 per Subscription Receipt, for gross proceeds of $2,105,000. On March 31, 2022, the Company closed a second tranche of the non-brokered private placement of Subscription Receipts, issuing 11,550,000 Subscription Receipts, for additional gross proceeds of $577,500. The gross proceeds from the sale of the Subscription Receipts were delivered into escrow on behalf of the purchasers of Subscription Receipts at closing (the “Escrowed Funds”). Each Subscription Receipt was to automatically convert into, without additional payment therefor, one unit (each, a “Unit”) with each Unit consisting of one common share, and one common share purchase warrant (“SR Warrant”), on satisfaction of the certain release conditions set forth in the agreement governing the Subscription Receipts. On July 29, 2022, upon satisfaction of the release conditions, the Escrowed Funds were released from escrow to the Company and the Company issued the shares and warrants outlined above. Each SR Warrant entitles the holder thereof the right to purchase one common share, subject to certain adjustments, at an exercise price of $0.10 until July 22, 2024.

(Expressed in Canadian dollars, unless otherwise noted)

The fair value of the equity components for the offering was determined using the Black-Scholes valuation model through a “waterfall” using a series of simultaneous options models and allocated between capital stock, $1,989,266, and warrants, $642,805 Management made the following assumptions on July 29, 2022: expected life of 2.00 years; $nil dividends; 60% volatility; risk-free interest rate of 2.89%.

(d) Stock options

On April 1, 2022, the Company granted 21,500,000 stock options to directors and officers of the Company. The options vest quarterly over two years. Each option entitles the holder to purchase one common shares at a price of $0.05, expiring April 1, 2025. The fair value of the options was determined to be $593,400. For purposes of calculating the fair value using the Black Scholes model, management made the following assumptions on April 1, 2022: vesting period of 2 years; 80% volatility; risk-free interest rate of 2.61%; expected dividends – Nil; Expected forfeiture rate - Nil.

Options outstanding at August 31, 2022 were as follows:

		Granted		Exercisable	Expiration Date		Exercise Price
Employee Stock Option Plan		21,500,000		-	April 1, 2025	$	0.05
	$	21,500,000	$	-			

10. Warrants

Warrant reserves as of August 31, 2022 and 2021 were as follows:

		Warrants Reserves
Balance at November 30, 2020	**$**	**233,693**
Additions		-
Balance at August 31, 2021	**$**	**233,693**
Balance at November 30, 2021	**$**	**275,098**
Additions - Issuance of warrants		700,617
Balance at August 31, 2022	**$**	**975,715**

Warrants outstanding at August 31, 2022 were as follows:

(Expressed in Canadian dollars, unless otherwise noted)

	Number	Expiration Date	Exercise Price	
2019 share purchase warrants	31,867,200	November 22, 2023	$	0.02
2021 warrants	7,000,000	November 27, 2022	$	0.10
2022 June warrants	7,496,137	June 30, 2024	$	0.10
2022 July warrants	55,068,000	July 29, 2024	$	0.10
	101,431,337			

11. Loss per share

For the nine months ended August 31, 2022, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of $963,474 (2021- $1,009,669) and the weighted average number of common shares outstanding of 262,826,998 (2021 – 246,225,600) for basic and diluted loss per share. All warrants and convertible debentures were determined to be antidilutive. As such, diluted earnings per share equals basic earnings per share.

12. Additional disclosures for statement of cash flows

Changes in working capital for the nine months ended August 31, 2022 and 2021:

		Nine Months Ended August 31, 2022		Nine Months Ended August 31, 2021
Decrease (increase) in trade and other receivables	$	67,692	$	(38,253)
Decrease (increase) in prepaid expenses		(9,500)		(15,653)
Decrease (increase) in accounts payable and accrued liabilities		352,292		(98,752)
	$	410,484	$	(152,658)

13. Related party balances and transactions

The Company has entered into transactions with related parties during the period. The following table presents balances and transactions with related parties included in these financial statements (i) and (ii):

		August 31 2022		November 30 2021
Balances:				
Accounts payable and accrued liabilities, due to company related by common control (i)	$	98,708	$	847,976
Loans payable, due to company related by common control (See Note 7)		-		145,489

(i) Director and largest stakeholder, Charles Zwebner, holds positions in other companies that provide support services to the Company. Related parties include Jason Braverman, Cipher Networks Inc. and Volero UAV & Drones Holding Corp.

(Expressed in Canadian dollars, unless otherwise noted)

The balances above are payable on demand and have arisen from the provision of services for the three and nine months ended August 31, 2022 and 2021.

	Three months ended August 31		Nine months ended August 31	
	2022	2021	2022	2021
Transactions for the period:				
Key management services (i)	$ 100,500	$ 100,500	$ 301,500	$ 301,500
Administration services (ii)	-	181,366	-	547,528

(i) Director and largest stakeholder, Charles Zwebner, holds a position in Cipher Networks Inc. that provides support services to the Company.
(ii) The related party expenses provided by Volero UAV & Drones Holding Corp are included in administration line on the statement of loss and other comprehensive loss.

The transactions above are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

14. Management of Capital

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company and in order to support the development of its planned business activities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned business activities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended August 31, 2022. The Company is not subject to externally imposed capital requirements.

The Company considers its capital to be shareholders' equity (deficiency), which is comprised of capital stock, equity reserves, accumulated other comprehensive and deficit, supplemented by convertible debentures payable.

The Company's objective when managing capital is to obtain adequate levels of funding to support its business activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the development of its business. The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

(Expressed in Canadian dollars, unless otherwise noted)

15. Financial instruments and risk management

The Company has classified its financial instruments as follows:

		August 31, 2022		November 30, 2021
FVTPL, measured at fair value:				
Liabilities				
Convertible debenture derivative liability	$	-	$	859,081
Financial assets, measured at amortized cost				
Cash and cash equivalents		2,255,977		90,892
Financial liabilities, measured at amortized cost				
Accounts payable and accrued liabilities		991,622		1,069,301
Loans payable		-		279,149
Accrued interest on convertible debentures		16,703		83,630
Convertible debenture host liability		658,931		1,237,447

The carrying amount of the Company's financial instruments approximates their fair value.

Risk Exposure and Management

The Company has exposure to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The principal financial risks to which the Company is exposed are credit risk, interest rate risks, liquidity and funding risk and currency risk.

<u>Credit risk</u>

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The company's maximum exposure to credit risk at May 31, 2022 under its financial instruments is approximately $2,255,977.

All of the Company's cash and cash equivalents are held with a major financial institution in Canada and management believes the exposure to credit risk with respect to such institutions is not significant.

<u>Interest rate risk</u>

Interest rate risk is the risk that the fair value of futures cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has cash balances and interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by banking institutions. The Company periodically monitors the investments its makes and is satisfied with credit ratings of its banks. Management believes the exposure to interest rate risk is not significant.

(Expressed in Canadian dollars, unless otherwise noted)

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due to any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements.

As at May 31, 2022, the Company had cash of $2,652,006. Restricted cash in the amount of $2,651,681 is held in a trust account related to the Company's private placement in December 2021, discussed in Note 9. The remaining $325 is available in order to meet current liabilities.

The following obligations existed as at August 31, 2022 and November 30, 2021:

August 31, 2022						
		Total		Less than 1 year		1-5 years
Accounts payable and accrued liabilities	$	991,622	$	991,622	$	-
Loans payable		-		-		-
Convertible debenture host liability		675,634		-		675,634
	$	1,667,256	$	991,622	$	675,634.00

November 30, 2021						
		Total		Less than 1 year		1-5 years
Accounts payable and accrued liabilities	$	1,069,301	$	1,069,301	$	-
Loans payable		279,149		279,149		-
Convertible debenture host liability		2,180,158		379,804		1,800,354
	$	3,528,609	$	1,728,254	$	1,800,354

Currency risk

The Company is not currently subject to significant foreign currency risk.

16. Subsequent events

On September 6, 2022, the Company granted 7,500,000 stock options to an officer of the Company. Each option entitles the holder to purchase one common share at a price of $0.05, expiring September 6, 2027.

On September 6, 2022, the Company issued 92,000 common shares at a deemed price of $0.05 per Common Share, in lieu of a cash commission to an arm's length registered finder as part of the subscription receipt financing completed by the Company in March 2022.

On September 7, 2022, the Company commenced trading on the CSE under the symbol "RDRS".