REAL-TIME DRONE ALARM RESPONSE SYSTEM

RDARS Inc.

Financial Statements

For the years ended November 30, 2022 and 2021

(Expressed in Canadian dollars, unless otherwise noted)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of RDARS Inc.

Opinion

We have audited the accompanying financial statements of RDARS Inc. (the "Company"), which comprise the statements of financial position as at November 30, 2022 and 2021, and the statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to note 1 to the financial statements, which indicates that the Company incurred a net loss of $3,024,593 for the year ended November 30, 2022 and, as of that date, had a cumulative deficit of $7,004,336. As stated in note 1, these events or conditions, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

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Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audits resulting in this independent auditors' report is Laurence W. Zeifman, CPA, CA.

Zeifmans LLP

Toronto, Ontario
March 28, 2023

Chartered Professional Accountants
Licensed Public Accountants

RDARS Inc.

Statements of Financial Position

As at November 30, 2022 and 2021

	Notes	2022	2021
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		575,248	90,892
Harmonized sales tax recoverable		166,518	141,949
Prepaid expenses and deposits		185,228	61,239
Total current assets		926,994	294,080
Non-current assets			
Property and equipment	5	7,758	-
Intangible assets	6	1,252,532	793,416
Total non-current assets		1,260,290	793,416
Total assets		**2,187,284**	**1,087,496**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities	7	829,854	1,069,301
Loans payable	8	-	279,149
Convertible Debenture host liability	10	585,629	296,174
Accrued interest on convertible debentures	10	24,793	83,630
Total current liabilities		1,440,276	1,728,254
Non-current liabilities			
Promissory notes payable	9	595,535	-
Convertible debenture host liability	10	-	941,273
Convertible debenture derivative liability	10	-	859,081
Total non-current liabilities		595,535	1,800,354
Total liabilities		2,035,811	3,528,608
Shareholders' equity (deficiency)			
Share capital	11	5,123,774	1,249,937
Contributed surplus	11	110,527	-
Warrants reserve	11	926,422	275,098
Options reserve	11	829,484	-
Convertible debentures reserve		165,602	13,596
Deficit		(7,004,336)	(3,979,743)
Total shareholders' equity (deficiency)		151,473	(2,441,112)
Total liabilities and shareholders' equity (deficiency)		**2,187,284**	**1,087,496**

See accompanying notes to financial statements

These financial statements were approved for issuance on March 28, 2023 by the Board of Directors and signed on its behalf by:

/s/ Anthony Heller (signed)

Anthony Heller
Director

/s/ Binyomin Posen (signed)

Binyomin Posen
Director

RDARS Inc.

Statements of Loss and Comprehensive Loss

For the years ended November 30, 2022 and 2021

	Notes	2022	2021
		$	$
Revenue		-	-
Selling and marketing		(80,314)	(28,853)
Administration		(2,137,034)	(1,283,661)
Prototype engineering	6	(25,087)	-
Depreciation	5	(1,365)	-
Total expenses		**(2,243,800)**	**(1,312,514)**
Other income (expenses)			
Interest expense		(395,496)	(224,141)
Interest income		4,180	-
Share-based compensation	11	(1,020,172)	-
Gain (Loss) on derivative liability		712,525	(448,426)
Foreign currency translation	3	(81,830)	1,555
Total other income (expenses)		(780,793)	(671,012)
Net loss and comprehensive loss		**(3,024,593)**	**(1,983,526)**
Weighted average shares outstanding		275,052,118	246,225,600
Net loss per share - Basic	12	(0.01)	(0.01)
Net loss per share - Diluted	12	(0.01)	(0.01)

See accompanying notes to financial statements

RDARS Inc.

Statements of Changes in Shareholders' Equity (Deficiency)

For the Years Ended November 30, 2022 and 2021

	# of shares	Share capital	Convertible debentures reserve	Warrants reserve	Options reserve	Deficit	Total
	#	$	$	$	$	$	$
Balance as at December 1, 2020	**4,103,760**	**1,249,938**	**-**	**233,693**	**-**	**(1,996,217)**	**(512,586)**
Issuance of convertible debentures	-	-	13,596	-	-	-	13,596
Issuance of warrants	-	-	-	41,404	-	-	41,404
Modification of warrants	-	(1)	-	1	-	-	-
Net loss and comprehensive loss	-	-	-	-	-	(1,983,526)	(1,983,526)
Balance as at November 30, 2021	**4,103,760**	**1,249,937**	**13,596**	**275,098**	**-**	**(3,979,743)**	**(2,441,112)**

	Notes	# of shares	Share capital	Contributed surplus	Convertible debentures reserve	Warrants reserve	Options reserve	Deficit	Total
		#	$		$	$	$	$	$
Balance as at November 30, 2021		**4,103,760**	**1,249,937**	**-**	**13,596**	**275,098**	**-**	**(3,979,743)**	**(2,441,112)**
Increase in shares due to share split		**242,121,840**							
Issuance of stock	11	55,160,000	1,971,838	-	-	-	-	-	1,971,838
Conversion of debentures	11	35,300,145	1,492,606	6,927	(6,927)	-	-	-	1,492,606
Issuance of convertible debentures	10	-	-	-	158,933	(41,404)	-	-	117,529
Issuance of warrants	11	-	-	-	-	735,733	-	-	735,733
Exercise of warrants	11	17,740,000	484,893	-	-	(130,093)	-	-	354,800
Expiry of warrants	11	-	-	103,600		(103,600)			-
Share issuance cost		-	(75,500)	-	-	-	-	-	(75,500)
Share based compensation	11	-	-	-	-	190,688	829,484	-	1,020,172
Net loss and comprehensive loss		-	-	-	-	-	-	(3,024,593)	(3,024,593)
Balance as at November 30, 2022		**354,425,745**	**5,123,774**	**110,527**	**165,602**	**926,422**	**829,484**	**(7,004,336)**	**151,473**

See accompanying notes to financial statements

RDARS Inc.

Statements of Cash Flows

For the Years Ended November 30, 2022 and 2021

	Notes	2022	2021
Cash flows from operating activities:			
Net loss		(3,024,593)	(1,983,526)
Loss (gain) on debentures		(712,525)	448,426
Unrealized foreign exchange gain		(267,485)	-
Accrued interest on convertible debenture host liability	10	127,083	83,630
Amortization of convertible debenture host liability	10	237,144	141,422
Interest accrued on loans	8	6,830	-
Interest accrued on promissory notes	9	9,724	-
Share-based compensation	11	1,020,172	-
Depreciation	5	1,365	-
Total changes in non-cash items		(2,602,285)	(1,310,048)
Changes in non-cash working capital	13	(14,882)	(20,186)
Net cash used in operating activities		(2,617,167)	(1,330,234)
Cash flows from investing activities:			
Prototype development costs	6	(459,116)	(76,038)
Purchase of tangible assets	5	(9,123)	-
Net cash used in investing activities		(468,239)	(76,038)
Cash flows from financing activities:			
Proceeds on issuance of share capital	11	2,682,500	-
Proceeds from loan/borrowing	8	537,741	-
Share issuance costs		(50,429)	-
Proceeds from issuance of convertible debentures	10	45,150	1,561,680
Warrants exercised	11	354,800	-
Repayment of loans payable	8	-	(65,851)
Net cash provided by financing activities		3,569,762	1,495,829
Net increase in cash and cash equivalents		484,356	89,557
Cash and cash equivalents, beginning of year		90,892	1,335
Cash and cash equivalents, end of year		**575,248**	**90,892**

See accompanying notes to financial statements

NON-CASH ITEMS	**$**
Stock issued in lieu of commission	75,500
Conversion of loans payable to promissory notes (note 8 and 9)	501,241
Conversion of loans payable to debentures (note 8 and 10)	329,657
Conversion of debentures to stock	2,078,698
Subscription receipts converted to warrants	735,733
Warrants expired	103,600

Reconciliation of movement of liabilities to cash flows arising from financing activities, including changes arising from both cash and non-cash changes:

	Loans payable	Convertible debenture host liability	Share capital	Warrants reserve	Total
	$	$	$	$	$
Balance as at November 30, 2021	279,149	1,237,447	1,249,937	275,098	**3,041,631**
Proceeds on issuance of share capital			2,682,500		**2,682,500**
Proceeds from loan/borrowing	537,741				**537,741**
Share issuance costs			(50,429)		**(50,429)**
Proceeds from issuance of convertible debentures		45,150			**45,150**
Warrants exercised			484,893	(130,093)	**354,800**
Total changes from financing cash flows	537,741	45,150	3,116,964	(130,093)	**3,569,762**
Other changes					
Conversion of loans payable to debentures (note 8 and 10)	(329,657)	329,657			-
Conversion of loans payable to promissory notes	(501,241)				**(501,241)**
Conversion of loans payable to accounts payable and accrued liabilities	(20,000)				**(20,000)**
Conversion of debenture to stock		(1,169,194)	1,492,606	(103,600)	**219,812**
Interest expense	6,830	248,142			**254,972**
Effect of foreign currency exchange	27,178	11,956			**39,134**
Fair value attributed to equity		(158,933)			**(158,933)**
Fair value attributed to warrants		41,404		(41,404)	-
Conversion of subscription receipts to warrants			(735,733)	735,733	-
Share based compensation				190,688	**190,688**
Balance as at November 30, 2022	**-**	**585,629**	**5,123,774**	**926,422**	**6,635,825**

1. Nature of Operations and Going Concern

RDARS Inc. (“RDARS” or 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". On November 1, 2022, the Company also commenced trading on the OTCQB® Venture Market under the symbol “RDRSF”.

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 years ended November 30, 2022 and 2021 of $3,024,593 and $1,983,526, respectively. In addition, as at November 30, 2022 and 2021, the Company had an accumulated deficit of $7,004,336 and $3,979,743 respectively. The Company relies on equity offerings for cash flow for its 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 including comparatives, 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”). The policies applied to the financial statements are based on IFRS, which have been applied consistently to all period presented.

(b) Basis of Measurement

These financial statements have been prepared on a going concern basis, under the historical cost convention, except for certain financial instruments which are measured at fair value upon initial recognition.

(c) Functional and presentation currency

The Company's functional and presentational currency is Canadian dollars, and these financial statements are presented in Canadian dollars, unless otherwise stated.

(d) 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. Significant accounting policies

(a) Foreign Currency

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.

Transactions in foreign currencies are translated to the respective functional currencies 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. Some technical documentation costs related to the prototype were recognised in the statement of loss and comprehensive loss during the year. 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) Property and equipment

Equipment consists of computer and is recorded at cost less related accumulated depreciation and impairment losses. Cost includes all expenditures incurred to bring asset to the location and condition necessary for them to be operated in the manner intended by management. Depreciation is recognized based on the cost of the item less its estimated residual value, over its estimated useful life on a straight life basis.

The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting date and adjusted prospectively if appropriate.

The Company depreciates the computers at the rate of 55% on straight line basis over an estimated useful life of 1.82 years.

(f) 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.

(g) 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 other comprehensive income (FVOCI) - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income. Elected investment in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

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
Accrued interest on convertible debentures	Amortized cost
Promissory notes payable	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.

No amounts were transferred between fair value levels during the two years ended November 30, 2022.

Risk Exposure

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, foreign currency risk and liquidity risk.

Credit risk

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.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

Foreign Currency risk

Currency risk relates to the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of the changes in foreign exchange rates.

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time.

(h) 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.

(i) 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. These warrants are settled in fixed number of shares of the Company when exercised. Thus, 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.

(j) Loss per share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. 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. In the periods where a net loss is incurred, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive and basic and diluted loss per common share is the same.

(k) 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.

(l) 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 as subsequent events in these financial statements, if they are material.

(m) Provisions for expected credit losses ("ECL")

The Company recognizes a loss allowance for ECL on trade receivable that are measured at amortized costs. The Company applied the simplified approach for trade receivables and recognizes the lifetime ECL for these assets. The ECL on trade receivables is estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the customers, general economic conditions and assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial assets measured at amortized cost or FVOCI, the Company recognizes lifetime ECL only when there has been a significant increase in credit risk since initial recognition. IF the credit risk on such financial instruments has not increased significantly since initial recognition, the Company measures the loss allowance on those financial instruments at an amount equal to 12-months ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial asset. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result form default events on a financial asset that are possible within 12 months after the reporting date. In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial asset at the reporting date with the risk of default occurring at the initial recognition. The Company considers both quantitative and qualitative factors that are supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Irrespective of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise. Despite the foregoing, the Company presumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have a low credit risk at the reporting date.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(n) Recognition of share-based compensation expense

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 and directors become fully entitled to the award (the "Vesting Date").

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.

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 6) and the fair value of financial instruments (Note 16).

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.

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.

Share-based compensation

The fair value of share-based compensation expenses is estimated using the Black-Scholes pricing model and rely on a number of estimates, such as the expected life of the warrants, the volatility of the underlying share price, the risk-free rate of return, and the estimated rate of forfeiture of warrants granted. Due to the emerging nature of the industry, volatility estimates require significant estimates. The Company estimated volatility based on historical share prices of companies operating in emerging industries.

5. Property and Equipment

Property and Equipment consisting of computer as of November 30, 2022 and 2021 were as follows:

Computer	**2022**	**2021**
	$	$
Cost		
Balance at beginning of the year	-	-
Additions	9,123	-
Balance at the end of the year	9,123	-
Accumulated depreciation		
Balance at the beginning of the year	-	-
Charge for the period	1,365	-
Balance at the end of the year	1,365	-
Net book value	**7,758**	**-**

6. Intangible assets

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

Prototype cost	**2022**	**2021**
	$	$
Balance at beginning of the year	793,416	717,378
Additions	459,116	76,038
Balance at the end of the year	1,252,532	793,416

7. Accounts payable and accrued liabilities

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

	2022	**2021**
	$	$
Prototype development	65,366	112,570
Accounting and administrative services	764,488	956,731
Total accounts payable and accrued liabilities	**829,854**	**1,069,301**

8. Loans payable

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

	2022	**2021**
	$	$
Anthony Heller	-	133,960
Charles Zwebner	-	145,189
Total loans payable	**-**	**279,149**

Balances and activities for the years ended November 30, 2022 and 2021 are as follows:

	2022	**2021**
	$	$
Balance at the beginning of the year	**279,149**	**345,000**
Additions during the year	537,741	1,025,449
Accrued interest on loan	6,830	-
Repayments	(20,000)	(100,000)
Conversion to debenture (Note 10)	(329,657)	(1,100,000)
Conversion to promissory note (Note 9)	(501,241)	-
Effect of foreign exchange	27,178	108,700
Balance at the end of the year	**-**	**279,149**

During the year, $537,741 was received from Charles Zwebner (related party), Anthony Heller (related party) and Arba Four Holdings Three LLC.

On July 31, 2022, $501,241 of balance of loans payable to related parties Charles Zwebner (related party) and Plazacorp Investments (related party) was converted to promissory notes.

On June 30, Arba Four Holdings Three LLC converted their loan along with accrued interest, into convertible debentures.

9. Promissory notes payable

Balances and activities in promissory notes payable for the years ended November 30, 2022 and 2021 are as follows:

	2022 $	2021 $
Balance at the beginning of the year	-	-
Conversion from loan payable (Note 8)	501,241	-
Accrued interest	9,724	-
Effect of foreign exchange	84,570	-
Balance at the end of the year	**595,535**	**-**

Promissory note worth $501,241 were issued to Charles Zwebner (related party) and Plazacorp Investments (related party) on July 31, 2022 with a rate of interest of 5% per annum to be repaid on or before October 1, 2023.

10. Convertible Debentures

Balances and activities for the years ended November 30, 2022 and 2021 are as follows:

	2022 $	2021 $
Balance at the beginning of the year	1,237,447	-
Conversion to stock – March debenture [a]	(1,129,117)	-
Conversion to stock – June debenture [e]	(40,077)	-
Conversion from loans payable [c] (Note 8)	329,657	-
Issuance of convertible debenture [d]	45,150	1,561,680
Interest accrued on debenture	10,998	-
Effect of foreign exchange	11,956	-
Amortization of discount	237,144	141,422
Discount on host liability	-	
Fair value attributed to derivative liability	-	(410,655)
Fair value attributed to equity	(158,933)	(13,596)
Fair value attributed to warrants	41,404	(41,404)
Balance at the end of the year	**585,629**	**1,237,447**

(a) *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 Event1.*

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%.

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.

(b) *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) 20,000 warrants ("November Warrants") to purchase 20,000 common share in the capital of the Company exercisable at a price of $0.10 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 on 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 $0.05 at any time prior to the November Debenture Maturity Date.*

(c) *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"), 329.66 debentures issued at a face value of $1,000 per debenture and (ii) 20,000 warrants to purchase 20,000 common share 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 on 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.*

[1] "Liquidity Event" meant 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.

(d) 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,

- *$45,150 of principal amount of June Debentures, issued 45.15 debenture units at a face value of $1,000 per debenture and*
- *903,000 common share purchase warrants exercisable at a price of $0.10 per common share until June 30, 2024.*

(e) On November 10, 2022, $45,150 of principal amount of June debenture with accrued interest were converted to 919,328 number of common shares at $0.05 per share.

(f) Terms and face value of the debentures outstanding as at November 30, 2022 are as follows:

Issue date	Maturity date	Number of units	Face value	Debentures value	Interest rate
		#	$	$	%
November 22, 2021	October 1, 2023	350.00	1,000	350,000	5
June 30, 2022	October 1, 2023	329.66	1,000	329,657	5
		679.66		**679,657**	

(g) Both November and June issued debentures satisfy the criteria of a financial instrument that will acquire a fixed number of the Company's own equity instruments in terms of fixed number of shares. This feature entails calculation of equity conversion feature for these debentures. Thus, a market effective rate of 15% per annum was assumed by the management to calculate both discounted value and fair value of equity component of these debentures.

11. 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 split to 246,225,600 common shares (post-Split).

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

- On August 26, 2022, March Debentures' principal and accrued interest were converted to 34,380,817 common shares at $0.04 per share.
- On August 29, 2022, the Company issued 1,418,000 shares at $0.05 per share in lieu of agents' commission.
- On September 6, 2022, 92,000 common shares were issued to a broker at a deemed price of $0.05 per share to settle commission owed pursuant to the subscription receipt financing.
- On September 9, 2022, 4,000,000 warrants were converted to 4,000,000 common shares at $0.02 per share.
- On November 10, 2022, June Debenture's principal and accrued interest were converted to 919,328 common shares at $0.05 per share.
- On November 24, 2022, 13,740,000 warrants were converted to 13,740,000 common shares at $0.02 per share.

(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.

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, $1,896,338, and warrants, $735,733. Management made the following assumptions on July 29, 2022: expected life of 2.00 years; dividends – Nil; 82% volatility; risk-free interest rate of 2.96%.

(d) Share issuance cost (shares issued in lieu of commission)

- 1,418,000 shares at $0.05 per share in lieu of agents' commission is recognized with share issuance costs of $70,900.
- 92,000 common shares issued to a broker at a deemed price of $0.05 per share is recognized with share issuance costs of $4,600.

(e) Contributed surplus

- On November 10, 2022, $45,150 of June debenture with accrued interest were converted to 919,328 number of common shares. $6,927 of equity conversion feature recognized towards these debentures was transferred to contributed surplus.
- 14,127,200 warrants expired on November 27, 2022. Fair value of $103,600 recognized under warrants reserve was transferred to contributed surplus.

(f) Stock options

On April 1, 2022, the Company granted 21,500,000 stock options to directors and officers of the Company. The options vest immediately. Each option entitles the holder to purchase one common share at a price of $0.05, expiring April 1, 2025. The fair value of the options was determined to be $578,469. For purposes of calculating the fair value using the Black Scholes model, management made the following assumptions on April 1, 2022; 3 years term of contract; 82% volatility; risk-free interest rate of 2.35%; expected dividends – Nil; Expected forfeiture rate - Nil.

On September 1, 2022, the Company granted 7,500,000 stock options to a director of the Company. The options vest immediately. Each option entitles the holder to purchase one common share at a price of $0.05, expiring September 1, 2027. The fair value of the options was determined to be $251,015. For purposes of calculating the fair value using the Black Scholes model, management made the following assumptions on September 1, 2022; 5 years term of contract; 82% volatility; risk-free interest rate of 3.37%; expected dividends – Nil; Expected forfeiture rate - Nil.

Number of options outstanding at November 30, 2022 were as follows:

Granted	Exercisable	Expiration Date	Weighted Average Exercise Price
21,500,000	21,500,000	April 1, 2025	0.05
7,500,000	7,500,000	September 1, 2027	0.05
29,000,000			**0.05**

No options were granted or outstanding during the year ended November 30, 2021.

Changes in options outstanding for the two years ended November 30, 2022 and 2021 were as follows:

	2022		2021	
	Outstanding	Weighted average exercise price	Outstanding	Weighted average exercise price
	#	$	#	$
Balance at the beginning of the year	-	-	-	-
Options granted	29,000,000	0.05	-	-
Balance at the end of the year	**29,000,000**	**0.05**	**-**	**-**

(g) Warrants

Warrants reserve as of November 30, 2022 and 2021 were as follows:

	2022	2021
	$	$
Balance at the beginning of the year	275,098	233,693
Warrants issued [c]	735,733	-
Fair value attributed to warrants[c]	(41,404)	41,404
Warrants expired [a] [Note 11(e)]	(103,600)	-
Warrants exercised	(130,093)	-
Share-based compensation [c]	190,688	-
Modification of warrants	-	1
Balance at the end of the year	**926,422**	**275,098**

The following table is a summary of the Company's warrants issuance as of November 30, 2022 and 2021:

2022			2021		
Outstanding	Exercise price	Expiry date	Outstanding	Exercise price	Expiry date
#	$		#	$	
7,000,000	0.10	November 22, 2023	7,000,000	0.10	November 22, 2023
7,496,137	0.10	June 30, 2024	31,867,200	0.02	November 27, 2022
53,650,000	0.10	July 29, 2024			
1,418,000	0.10	July 29, 2024			
69,564,137	**0.10**		**38,867,200**	**0.03**	

Changes in warrants outstanding for the two years ended November 30, 2022 and 2021 were as follows:

	2022		2021	
	Outstanding	Weighted average exercise price	Outstanding	Weighted average exercise price
	#	$	#	$
Balance at the beginning of the year	38,867,200	0.03	-	-
Warrants exercised [Note 11(b)]	(17,740,000)	(0.02)	-	-
Warrants expired [a]	(14,127,200)	(0.02)	-	-
Warrants granted [b]	62,564,137	0.10	38,867,200	0.03
Balance at the end of the year [c]	**69,564,137**	**0.10**	**38,867,200**	**0.03**

(a) 14,127,200 warrants expired on November 27, 2022.
(b) During the year 2022, the Company granted a total of 62,564,137 warrants.
(c) On November 22, 2021, 7,000,000 warrants were granted along with units of debentures issued in November 2021. Out of 7,000,000, warrants granted to related party Plazacorp Investments Limited were 3,000,000. Fair value of these warrants was determined at $90,206 in share-based compensation. As these warrants were revalued, $41,404 that was recognized in warrants reserve previously was reversed.

- *On June 30, 2022, 6,593,137 warrants were granted along with units of debentures issued in June 2022 [Note 10(b)]. Fair value of these warrants was determined at $88,378 in share-based compensation.*
- *On June 30, 2022, 903,000 warrants were granted along with units of debentures issued in June 2022 [Note (c)]. Fair value of these warrants was determined at $12,104 in share-based compensation.*
- *53,650,000 warrants were granted to the existing shareholders on July 29, 2022. Fair value of these warrants was determined at $717,309 in capital stock.*
- *1,418,000 broker warrants were issued on August 29, 2022. Fair value of these warrants was determined at $18,424 in capital stock.*

During the year, the Company valued total outstanding warrants of 69,564,137. For the purposes of calculating the fair value, using the Black Scholes model, management made the following assumptions; 2 years term of contract; 82% volatility; expected dividends – Nil; Expected forfeiture rate – Nil; risk-free interest rate of 1.04% for warrants issued on November 22, 2021; risk-free interest rate of 3.10% for warrants issued on June 30, 2022; risk-free interest rate of 2.96% for warrants issued on July 29, 2022; risk-free interest rate of 3.59% for warrants issued on August 29, 2022. Total fair value of the warrants was determined to be $926,421 of which $735,733 that pertained to warrants issued as part of subscription receipts to share holders was recognized against capital stock and remaining $190,688 was recorded as share-based compensation.

12. Loss per share

For the year ended November 30, 2022, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of $3,024,593 (2021- $1,983,526) and the weighted average number of common shares outstanding of 275,052,118 (2021 – 246,225,600) for basic and diluted loss per share. All warrants and convertible debentures were determined to be antidilutive. As such, diluted loss per share equals basic loss per share.

13. Additional disclosures for statement of cash flows

Factors resulting in changes in working capital during the years 2022 and 2021 are as follows:

	2022 $	2021 $
Increase in Harmonized sales tax recoverable	(24,569)	(51,819)
Increase in prepaid expenses and deposits	(68,463)	(46,714)
Increase in accounts payable and accrued liabilities	78,150	78,347
	(14,882)	**(20,186)**

14. Related party balances and transactions

The Company has entered into transactions with related parties during the years.

The following tables present balances and transactions with related parties included in these financial statements:

	2022	2021
Balances, due to companies related by common control		
Accounts payable and accrued liabilities [a]	16,497	847,976
Promissory note and accrued liability (See Note 9) [b]	595,535	-
Loans payable (See Note 8)	-	145,189
Convertible debenture host liability and accrued interest on convertible debentures [c]	132,358	150,164

Transactions for the period	2022	2021
Key management services [d]	335,500	402,000
Administration, selling and marketing expenses [e]	110,158	730,416
Share-based compensation [f]	868,144	-

(a) *Accounts payable and accrued interest relates to Jason Braverman (Chief Technology Officer of RDARS).*

(b) *Promissory notes and accrued interest relate to agreements with Charles Zwebner and Plazacorp Investments Limited. (President of Plazacorp Investments Limited - Anthony Heller holds Director position in RDARS).*

(c) *Convertible debenture host liability and accrued interest liability relate to debenture holding by Plazacorp Investments Limited.*

(d) *Key management services relate to payments made to Cipher Networks Inc. Director and largest stakeholder, Charles Zwebner, holds position in Cipher Networks Inc. that provided support services to the Company until September 2022.*

(e) *Administration, selling and marketing expenses relate to Charles Zwebner, Jason Braverman and professional services provided by Kurtz Financial Group (CEO of Kurts Financial Group – Bennett Kurtz is the CEO of RDARS).*

(f) *Share-based compensation expenses relate to stock options granted to directors and officers of the Company and warrants granted to Plazacorp Investments Limited.*

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.

15. 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 November 30, 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.

16. Financial instruments and risk management

The Company has classified its financial instruments as follows:

	2022 $	2021 $
Financial assets, measured at amortized cost		
Cash and cash equivalents	575,248	90,892
FVTPL, measured at fair value:		
Liabilities		
Convertible debenture derivative liability	-	859,081
Financial liabilities, measured at amortized cost		
Accounts payable and accrued liabilities	829,854	1,069,301
Loans payable	-	279,149
Accrued interest on convertible debentures	24,793	83,630
Convertible debenture host liability	585,629	1,237,447
Promissory notes payable	595,535	-

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 foreign currency risk.

(a) Credit risk

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 November 30, 2022 under its financial instruments is approximately $575,248.

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.

(b) Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due to at 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 November 30, 2022, the Company had cash of $575,248

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

November 30, 2022	**Total**	**Less than 1 year**	**1-5 years**
	$	$	$
Accounts payable and accrued liabilities	829,854	829,854	-
Loans payable	-	-	-
Promissory notes payable	595,535	-	595,535
Convertible debenture host liability and accrued interest on convertible debentures	610,422	610,422	-
	2,035,811	**1,440,276**	**595,535**

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 and accrued interest on convertible debentures	2,180,158	379,804	1,800,354
	3,528,608	**1,728,254**	**1,800,354**

(c) Interest rate risk

Interest rate risk is the risk that the fair value of future 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.

(d) Foreign Currency risk

Currency risk relates to the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of the changes in foreign exchange rates. The Company holds a bank account in US dollars. The fluctuation in foreign currencies in relation to the Canadian dollar will consequently impact the profitability of the Company and may also affect the value of the Company's assets.

Had the United States dollar strengthened or weakened by 1% in relation to all currencies as at November 30, 2022, with all other variables remaining constant, net loss and comprehensive loss for the period would have increased or decreased by $385 (November 30, 2021 - $152).

17. Income tax

a) The reconciliation between the Company's income tax rates for respective years with the reported income taxes for the years ended November 30, 2022 and 2021 is as follows:

	2022 $	2021 $
Net loss before income taxes	(3,024,593)	(1,983,526)
Statutory Canadian tax rates	26.5%	12.20%
	(801,517)	(241,990)
Share based compensation	270,346	-
Change in tax rates	(271,798)	-
Change in unrecognized deferred tax assets	928,844	241,990
Other	(125,976)	-
Net income tax recovery	-	-

Prior to going public, the Company filed income taxes at the rate 12.2% under the 'Canadian-Controlled Private Corporation' type. The current tax rate is 26.5%.

b) The following table reflects the deferred income tax asset (liability) at November 30, 2022 and 2021:

	2022 $	2021 $
Intangible assets	(331,921)	(96,797)
Non-capital loss carry forwards	1,765,261	510,364
Convertible debentures	(18,967)	71,962
	1,414,373	485,529
Less: valuation allowance	(1,414,373)	(485,529)
	-	-

c) The company has tax losses in Canada that can be carried forward to reduce taxable income in future years. The losses expire as follows:

Year	Amount $
2039	1,514,392
2040	1,199,203
2041	1,469,332
2042	2,478,437
	6,661,364

18. Subsequent events

(a) Convertible debentures of $52,500 (including accrued interest of $2,500) issued in November 2021 to a related party were repaid in full on December 2, 2022.

(b) Additionally, convertible debentures of $105,050 (including accrued interest of $5,050) issued in November 2021 to a debenture holder were repaid in full on December 2, 2022.