RDARS Inc.

Condensed Interim Financial Statements

For the three months ended February 28, 2023, and 2022

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

(Expressed in Canadian dollars, unless otherwise noted)

RDARS Inc.
Condensed Interim Statements of Financial Position
As at February 28, 2023
(Unaudited)

	Notes	February 28, 2023 $	November 30, 2022 $
ASSETS			
Current assets			
Cash and cash equivalents		6,084	575,248
Harmonized sales tax recoverable		10,545	166,518
Prepaid expenses and deposits		166,385	185,228
Total current assets		183,014	926,994
Non-current assets			
Property and equipment	5	87,265	7,758
Intangible assets	6	1,364,392	1,252,532
Total non-current assets		1,451,657	1,260,290
Total assets		**1,634,671**	**2,187,284**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities	7	1,040,977	829,854
Current portion of lease liability	10	30,864	-
Convertible debenture host liability	9	479,860	585,629
Accrued interest on convertible debentures	9	23,659	24,793
Total current liabilities		1,575,360	1,440,276
Non-current liabilities			
Promissory notes payable	8	496,101	595,535
Long-term portion of lease liability	10	30,322	-
Total non-current liabilities		526,423	595,535
Total liabilities		2,101,783	2,035,811
Shareholders' equity (deficiency)			
Share capital	11	5,123,774	5,123,774
Contributed surplus	11	159,825	110,527
Warrants reserve	11	926,422	926,422
Options reserve	11	829,484	829,484
Convertible debentures reserve		116,304	165,602
Deficit		(7,622,921)	(7,004,336)
Total shareholders' equity (deficiency)		(467,112)	151,473
Total liabilities and shareholders' equity (deficiency)		**1,634,671**	**2,187,284**

These condensed interim financial statements were approved for issuance on May 1, 2023 by the Board of Directors and signed on its behalf by:

/s/Anthony Heller (signed)
Director

/s/Binyomin Posen (signed)
Director

RDARS Inc.

Condensed Interim Statements of Loss and Comprehensive Loss

For the three months ended February 28, 2023 and 2022

(Unaudited)

	Notes	2023	2022
		$	$
Revenue		-	-
Selling and marketing		(94,001)	-
Administration		(443,981)	(350,454)
Prototype engineering	6	(14,901)	-
Depreciation	5	(4,425)	-
Total expenses		**(557,308)**	**(350,454)**
Other income (expenses)			
Interest expense		(57,969)	(101,164)
Gain (Loss) on derivative liability		-	41,678
Foreign currency translation	3	(3,308)	25,502
Total other income (expenses)		(61,277)	(33,985)
Net loss and comprehensive loss		**(618,585)**	**(384,438)**
Weighted average shares outstanding		354,425,745	246,225,600
Net loss per share - Basic	12	(0.00)	(0.00)
Net loss per share - Diluted	12	(0.00)	(0.00)

RDARS Inc.

Condensed Interim Statements of Changes in Shareholders' Equity (Deficiency)

For the three months ended February 28, 2023 and 2022

(Unaudited)

	# of shares	Share capital	Convertible debentures reserve	Warrants reserve	Options reserve	Deficit	Total
	#	$	$	$	$	$	$
Balance as at November 30, 2021	**246,225,600**	**1,249,937**	**13,596**	**275,098**	**-**	**(3,979,743)**	**(2,441,112)**
Net loss and comprehensive loss	-	-	-	-	-	(384,438)	(384,438)
Balance as at February 28, 2022	**246,225,600**	**1,249,937**	**13,596**	**275,098**	**-**	**(4,364,181)**	**(2,825,550)**

	Notes	# of shares	Share capital	Contributed surplus	Convertible debentures reserve	Warrants reserve	Options reserve	Deficit	Total
		#	$		$	$	$	$	$
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**
Repayment of debentures	9, 11	-	-	49,298	(49,298)	-	-	-	-
Net loss and comprehensive loss		-	-	-	-	-	-	(618,585)	(618,585)
Balance as at February 28, 2023		**354,425,745**	**5,123,774**	**159,825**	**116,304**	**926,422**	**829,484**	**(7,622,921)**	**(467,112)**

RDARS Inc.

Condensed Interim Statements of Cash Flows

For the three months ended February 28, 2023 and 2022

(Unaudited)

	Notes	Three months ended February 28, 2023	Three months ended February 28, 2022
Cash flows from operating activities:			
Net loss		(618,585)	(384,438)
Non-cash foreign currency translation gain		(108,027)	(19,609)
Interest expense on lease	10	794	-
Change in fair value of derivative liability		-	(41,678)
Interest accrued on debentures	9	50,647	955,910
Interest accrued on promissory notes	8	6,530	-
Depreciation	5	4,425	-
		(664,216)	(349,814)
Changes in non-cash working capital items	13	530,726	(29,488)
Net cash used in operating activities		(133,490)	(379,302)
Cash flows from investing activities:			
Prototype development costs	6	(111,860)	(40,652)
Purchase of property and equipment	5	(83,932)	-
Net cash used in investing activities		(195,792)	(40,652)
Cash flows from financing activities:			
Proceeds from loan/borrowing		-	250,000
Repayment of promissory notes	8	(82,332)	-
Repayment of debentures	9	(157,550)	-
Proceeds from loan payable to director		-	80,720
Net cash provided by (used in) financing activities		(239,882)	330,720
Net decrease in cash and cash equivalents		(569,164)	(89,234)
Cash and cash equivalents, beginning of the period		575,248	90,892
Cash and cash equivalents, end of the period		**6,084**	**1,658**

NON-CASH ITEMS	**$**
Transfer of amortized discounted value of convertible debentures repayment to “contributed surplus”	49,228

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

	Accrued interest on convertible debentures	Convertible debenture host liability	Contributed surplus	Convertible debenture reserve	Total
	$	$	$	$	$
Balance as of November 30, 2022	24,793	585,629	110,527	165,602	**886,551**
Repayment of debentures	(32,971)	(124,579)	49,298	(49,298)	**(157,550)**
Total changes from financing cash flows	(32,971)	(124,579)	49,298	(49,298)	**(157,550)**
Other changes					
Interest accrued on debentures	6,530	-	-	-	**6,530**
Amortization of discount on debentures	25,306	18,810	-	-	**44,116**
Balance as of February 28, 2023	**23,838**	**479,860**	**159,825**	**116,304**	**779,647**

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 condensed interim 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 three months ended February 28, 2023, and 2022 of $618,585 and $384,438, respectively. In addition, as at February 28, 2023, and 2022, the Company had an accumulated deficit of $7,622,921 and $4,364,181 respectively. The Company relies on equity and debt 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 condensed interim 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

These unaudited condensed interim financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting of the International Financial Reporting Standards” (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and follow the same accounting policies and methods of application as the Company’s November 30, 2022, annual audited financial statements, unless otherwise noted. Accordingly, they should be read in conjunction with the Company’s most recent annual statements.

(b) Basis of Measurement

These condensed interim 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 condensed interim 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. Summary of significant accounting policies

(a) Property and equipment

Property and Equipment consists of computer hardware, office equipment and office furniture and right-of-use assets. These are 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.

Asset	**Rate**
Computer hardware	55%
Office equipment	55%
Office furniture	20%
Right-of-use assets	Term of lease

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

(b) 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.

Financial Assets

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.

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.

<u>Financial Liabilities</u>

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
Current and long-term portion of lease 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.

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.

(c) Right-of-use assets ("ROU")

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of ROU includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. ROU are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

(d) Lease liabilities

Lease liabilities include the present value of future fixed payments, less any lease incentives receivable, and the exercise price of a purchase option if it is reasonably certain to be exercised. Future fixed lease payments are discounted using the Company's incremental borrowing rate if the rate implicit in the lease is not readily determinable. The term of each lease includes its non-cancellable period. The term can also include periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option. After the commencement date, the Company continually measures its lease liabilities to reflect changes in lease payments, discount rates or the leases' remaining term with an offsetting adjustment to ROU.

Each lease payment is comprised of both a financing and principal component. Financing costs are charged to the consolidated statements of loss and comprehensive loss over each lease's term. Lease payments are applied against lease liabilities using the effective interest method.

Short-term leases with an initial lease term of less than 12 months are evaluated by class of the underlying asset whereas lease payments for low-value assets are evaluated on a lease-by-lease basis. Short-term and low-value leases are expensed.

(e) References to Audited financial statements

In addition to the significant accounting policies noted above, these Unaudited Interim Condensed Financial Statements and the accompanying notes were prepared using the accounting policies described in Note 3 of the Company's Audited Financial Statements for the year ended November 30, 2022.

4. Critical Accounting Estimates and Judgements

The preparation of these condensed interim 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 condensed interim 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, intangible assets and the fair value of financial instruments.

<u>Valuation of Convertible Debentures Derivative Liability</u>

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.

<u>Estimated useful lives, impairment considerations and amortization of intangible assets</u>

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.

<u>Ability to continue as a going concern</u>

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.

<u>Share-based compensation</u>

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 as of February 28, 2023 and November 30, 2022 were as follows:

	Computer	Office furniture	Office equipment	Right-of-use asset	Total
Cost at:					
December 1, 2021	-	-	-	-	-
Additions	4,539	-	4,584	-	9,123
November 30, 2022	4,539	-	4,584	-	9,123
Accumulated depreciation at:					
December 1, 2021	-	-	-	-	-
Additions	687	-	678	-	1,365
November 30, 2022	687	-	678	-	1,365
Cost at:					
December 1, 2022	4,539	-	4,584	-	9,123
Additions	4,235	6,826	9,329	63,542	83,932
February 28, 2023	**8,774**	**6,826**	**13,913**	**63,542**	**93,055**
Accumulated depreciation at:					
December 1, 2022	687	-	678	-	1,365
Additions	642	132	888	2,763	4,425
February 28, 2023	**1,329**	**132**	**1,566**	**2,763**	**5,790**
Net book value at:					
November 30, 2022	3,852	-	3,906	-	7,758
February 28, 2023	**7,445**	**6,694**	**12,347**	**60,779**	**87,265**

6. Intangible assets

Intangible assets as of February 28, 2023, and November 30, 2022, were as follows:

Prototype	**$**
Balance as of December 1, 2021	793,416
Additions	459,116
Balance as of November 30, 2022	**1,252,532**
Balance, as of December 1, 2022	1,252,532
Additions	111,860
Balance as of February 28, 2023	**1,364,392**

7. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities as of February 28, 2023 and November 30, 2022 were as follows:

	February 28, 2023	November 30, 2022
	$	$
Prototype development	82,161	65,366
Accounting and administrative services	958,816	764,488
Total accounts payable and accrued liabilities	**1,040,977**	**829,854**

8. Promissory notes payable

Balances and activities for the three months ended February 28, 2023 and year ended November 30, 2022 were as follows:

	$
Balance as of December 1, 2021	-
Conversion from loan payable	501,241
Accrued interest	9,724
Effect of foreign exchange	84,570
Balance as of November 30, 2022	595,535
Balance as of December 1, 2022	595,535
Accrued interest	6,530
Repayment [(a)]	(82,332)
Effect of foreign exchange	(23,632)
Balance as of February 28, 2023	**496,101**

Promissory note worth $501,241 was issued to the Chief Executive Officer and a corporation controlled by a director of RDARS on July 31, 2022, with an interest rate of 5% per annum to be repaid on or before October 1, 2023.

(a) During the three months ended February 28, 2023, $82,332 was repaid towards the promissory note issued to the Chief Executive Officer.

9. Convertible Debentures

Balances and activities for the three months ended February 28, 2023 and year ended November 30, 2022 were as follows:

	$
Balance as of December 1, 2021	1,237,447
Conversion to stock	(1,169,194)
Conversion from loans payable	329,657
Issuance of convertible debentures	45,150
Interest on debentures	10,998
Amortization of discount	237,144
Effect of foreign exchange	11,956
Fair value attributed to equity	(158,933)
Fair value attributed to warrants	41,404
Balance as of November 30, 2022	585,629
Balance as of December 1, 2022	585,629
Interest on debentures	115
Amortization of discount	18,810
Repayment of debenture	(150,000)
Fair value attributed to equity	25,306
Balance as of February 28, 2023	**479,860**

Terms and face value of the debentures outstanding as at February 28, 2023 are as follows:

Issue date	Maturity date	Number of units	Face value	Debentures value	Interest rate
		#	$	$	%
November 22, 2021	October 1, 2023	200.00	1,000	200,000	5
June 30, 2022	October 1, 2023	329.66	1,000	329,657	5
		529.66		**529,657**	

These 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 the calculation of an equity conversion feature for these debentures. Thus, a market effective rate of 15% per annum was assumed by the management to calculate the discounted value of these debentures as well as the fair value of equity component of these debentures.

Total Interest accrued on the debentures for the three months ended February 28, 2023 was $6,530 and interest paid on the repayment of debentures was $7,664.

10. Lease liability

The lease liability was measured at the present value of the remaining lease payments, at the effective interest rate of 15% per annum.

As of February 28, 2023, and November 30, 2022, the Company's lease liabilities were as follows:

Lease liability	**2023**	**2022**
	$	$
Current portion	30,864	-
Long-term portion	30,322	-
Total lease liability	**61,186**	**-**

Balances and activities for the three months ended February 28, 2023 and year ended November 30, 2022 were as follows:

	2023	**2022**
	$	$
Balance, beginning of the period	-	-
Additions	63,542	-
Lease payments	(3,150)	-
Interest on lease liability	794	-
Balance, end of the period	**61,186**	**-**

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

There were no shares issued during the three months ended February 28, 2023.

(c) Stock options

No stock options were granted or exercised during the three months ended February 28, 2023.

Number of options outstanding at February 28, 2023 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**

Changes in options outstanding for the three months ended February 28, 2023 and year ended November 30, 2022 were as follows:

	For the three months ended February 28, 2023		For the year ended November 30, 2022	
	Outstanding	**Weighted average exercise price**	**Outstanding**	**Weighted average exercise price**
	#	$	#	$
Balance at the beginning of the period	29,000,000	0.05	-	-
Options granted	-	-	29,000,000	0.05
Balance at the end of the period	**29,000,000**	**0.05**	**29,000,000**	**0.05**

(d) Warrants

Warrants reserve as of February 28, 2023 and November 30, 2022 were as follows:

	For the three months ended February 28, 2023	**For the year ended November 30, 2022**
	$	$
Balance at the beginning of the period	926,422	275,098
Warrants issued	-	735,733
Fair value attributed to warrants	-	(41,404)
Warrants expired	-	(103,600)
Warrants exercised	-	(130,093)
Share-based compensation	-	190,688
Balance at the end of the period	**926,422**	**926,422**

The following table is a summary of the Company's warrants issuance and outstanding as of February 28, 2023 and November 30, 2022:

February 28, 2023			**November 30, 2022**		
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	7,496,137	0.10	June 30, 2024
53,650,000	0.10	July 29, 2024	53,650,000	0.10	July 29, 2024
1,418,000	0.10	July 29, 2024	1,418,000	0.10	July 29, 2024
69,564,137	**0.10**		**69,564,137**	**0.10**	

Changes in warrants outstanding for the three-months ended February 28, 2023 and year ended November 30, 2022 were as follows:

	Three months ended February 28, 2023		Year ended November 30, 2022	
	Outstanding	**Weighted average exercise price**	**Outstanding**	**Weighted average exercise price**
	#	$	#	$
Balance, beginning of the period	69,564,137	0.10	38,867,200	0.03
Warrants exercised	-	-	(17,740,000)	(0.02)
Warrants expired	-	-	(14,127,200)	(0.02)
Warrants granted	-	-	62,564,137	0.10
Balance, end of the period	**69,564,137**	**0.10**	**69,564,137**	**0.10**

No warrants were granted, exercised or expired during the three months ended February 28, 2023.

(e) Contributed Surplus

Convertible debentures of 52,500 (including accrued interest of $2,500) and $105,050 (including accrued interest of $5,050) both issued in November 2021 were repaid in full on December 2, 2022. Equity conversion feature of $49,298 initially recognized towards these debentures were transferred to contributed surplus.

12. Loss per share

For the three months ended February 28, 2023, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of $618,585 (November 30, 2022- $384,438) and the weighted average number of common shares outstanding of 354,425,745 (November 30, 2022 – 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

Changes in working capital items for the three months ended February 28, 2023 and 2022 are as follows:

	Three months ended February 28, 2023 $	Three months ended February 28, 2022 $
Decrease/(increase) in Harmonized sales tax recoverable	155,973	(15,283)
Decrease/(increase) in prepaid expenses and deposits	19,349	(2,429)
Increase in current portion of lease liability	60,392	-
Increase/(decrease) in accounts payable and accrued liabilities	295,012	(11,776)
	530,726	**(29,488)**

14. Related party balances and transactions

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

The following table represents balances with related parties as of February 28, 2023 and November 30, 2022 included in these condensed interim financial statements:

	February 28, 2023	November 30, 2022
Balances, due to related parties		
Accounts payable and accrued liabilities [(a)]	28,222	16,497
Promissory note and accrued interest (See Note 8) [(b)]	496,101	595,535
Convertible debenture host liability and accrued interest on convertible debentures [(c)]	133,415	132,358

The following table represents transactions with related parties for the three months ended February 28, 2023 and 2022 included in these condensed interim financial statements:

	Three months ended February 28, 2023	Three months ended February 28, 2022
Transactions for the period		
Key management services [(d)]	-	100,500
Administration expenses [(e)]	67,524	-

(a) Accounts payable and accrued liabilities relate to the Chief Technology Officer ("CTO") and the Chief Finance Officer ("CFO").

(b) Promissory notes and accrued interest relate to agreements with the CEO and a corporation controlled by a director.

(c) Convertible debenture host liability and accrued interest on debentures relate to the debentures held by a corporation controlled by a director.

(d) Key management services relate to payments made to a corporation controlled by the CEO.

(e) Administration expenses relate to the CEO's and CTO's consulting, travel and office expenses.

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 three months ended February 28, 2023. 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:

	February 28, 2023 $	November 30, 2022 $
Financial assets, measured at amortized cost		
Cash and cash equivalents	6,084	575,248
Financial liabilities, measured at amortized cost		
Accounts payable and accrued liabilities	1,040,977	829,854
Convertible debenture host liability	479,860	585,629
Accrued interest on convertible debentures	23,659	24,793
Lease liability	61,186	-
Promissory notes payable	496,101	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 February 28, 2023 under its financial instruments is approximately $6,084.

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 February 28, 2023, the Company had cash of $ 6,084

The following obligations existed as of February 28, 2023 and November 30, 2022:

February 28, 2023	**Total**	**Less than 1 year**	**1-5 years**
	$	$	$
Accounts payable and accrued liabilities	1,040,977	1,040,977	-
Lease liability	61,186	30,864	30,322
Promissory notes payable	496,101	496,101	-
Convertible debenture host liability and accrued interest on convertible debentures	503,519	503,519	-
	2,101,783	**2,071,461**	**30,322**

November 30, 2022	**Total**	**Less than 1 year**	**1-5 years**
	$	$	$
Accounts payable and accrued liabilities	829,854	829,854	-
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**

(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.

With all other variables remaining constant, had the United States dollar strengthened or weakened by 1% in relation to all currencies as of February 28, 2023, there is no impact on the net loss and comprehensive loss for the three months ended February 28, 2023 (year ended November 30, 2022- $385).