RDARS Inc.

Condensed Interim Financial Statements

For the three months and six months ended May 31, 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 May 31, 2023
(Unaudited)

	Notes	May 31, 2023 $	November 30, 2022 $
ASSETS			
Current assets			
Cash and cash equivalents		**52,946**	575,248
Other receivables		**15,933**	166,518
Prepaid expenses and deposits		**109,915**	185,228
Total current assets		**178,794**	926,994
Non-current assets			
Property and equipment	5	**81,529**	7,758
Intangible assets	6	**1,540,691**	1,252,532
Total non-current assets		**1,622,220**	1,260,290
Total assets		**1,801,014**	2,187,284
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities	7	**1,515,469**	829,854
Current portion of lease liability	10	**32,323**	-
Convertible debenture host liability	9	**707,503**	585,629
Accrued interest on convertible debentures		**15,206**	24,793
Promissory notes payable - current	8	**646,019**	-
Loans payable	14	**136,006**	-
Total current liabilities		**3,052,526**	1,440,276
Non-current liabilities			
Long-term portion of lease liability	10	**21,617**	-
Promissory notes payable non-current	8	**-**	595,535
Total non-current liabilities		**21,617**	595,535
Total liabilities		**3,074,143**	2,035,811
Shareholders' equity (deficiency)			
Share capital	11	**5,123,774**	5,123,774
Contributed surplus	11	**210,399**	110,527
Warrants reserve	11	**926,422**	926,422
Options reserve	11	**829,484**	829,484
Convertible debentures reserve		**65,730**	165,602
Deficit		**(8,428,938)**	(7,004,336)
Total shareholders' equity (deficiency)		**(1,273,129)**	151,473
Total liabilities and shareholders' equity (deficiency)		**1,801,014**	2,187,284

These condensed interim financial statements were approved for issuance on July 28, 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 and six months ended May 31, 2023 and 2022

(Unaudited)

	Notes	Three months ended		Six months ended	
		May 31, 2023	**May 31, 2022**	**May 31, 2023**	**May 31, 2022**
		$	$	$	$
Revenue		**-**	-	**-**	-
Selling and marketing		**(75,609)**	-	**(169,610)**	-
Administrative expenses		**(431,587)**	(358,428)	**(770,722)**	(635,086)
Design development		**(168,248)**	(70,339)	**(273,094)**	(144,135)
Prototype engineering	6	**(15,316)**	-	**(30,217)**	-
Depreciation	5	**(12,539)**	-	**(16,964)**	-
Total expenses		**(703,299)**	(428,767)	**(1,260,607)**	(779,221)
Other income (expenses)					
Interest expense		**(96,524)**	(110,573)	**(154,493)**	(211,737)
Share-based compensation		**-**	(24,725)	**-**	(24,725)
Gain (Loss) on derivative liability		**-**	188,355	**-**	230,033
Foreign currency translation	3	**(6,194)**	3,872	**(9,502)**	29,374
Total other income (expenses)		**(102,718)**	56,929	**(163,995)**	22,945
Net loss and comprehensive loss		**(806,017)**	(371,838)	**(1,424,602)**	(756,276)
Weighted average shares outstanding #		**354,425,745**	246,225,600	**354,425,745**	246,225,600
Net loss per share – Basic $	12	**(0.00)**	(0.00)	**(0.00)**	(0.00)
Net loss per share – Diluted $	12	**(0.00)**	(0.00)	**(0.00)**	(0.00)

RDARS Inc.

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

For the six months ended May 31, 2023 and 2022

(Unaudited)

	Notes	# of shares	Share capital	Contributed surplus	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)
Share-based compensation		-	-	-	-	-	24,725	-	24,725
Net loss and comprehensive loss		-	-	-	-	-	-	(756,276)	(756,276)
Balance as at May 31, 2022		246,225,600	1,249,937	-	13,596	275,098	24,725	(4,736,019)	(3,172,663)
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	11	-	-	99,872	(99,872)	-	-	-	-
Net loss and comprehensive loss		-	-	-	-	-	-	(1,424,602)	(1,424,602)
Balance as at May 31, 2023		**354,425,745**	**5,123,774**	**210,399**	**65,730**	**926,422**	**829,484**	**(8,428,938)**	**(1,273,129)**

RDARS Inc.

Condensed Interim Statements of Cash Flows

For the six months ended May 31, 2023 and 2022

(Unaudited)

	Notes	Six months ended May 31, 2023	2022
		$	$
Cash flows from operating activities:			
Net loss		**(1,424,602)**	(756,276)
Non-cash foreign currency translation gain		**(159,143)**	(19,609)
Interest expense on lease	10	**2,999**	-
Change in fair value of derivative liability		**-**	(230,033)
Amortisation of convertible debenture host liability		**-**	132,124
Share-based compensation		**-**	24,725
Interest accrued on debentures		**99,837**	68,461
Interest accrued on promissory notes	8	**12,738**	-
Depreciation	5	**16,964**	-
		(1,451,208)	(780,608)
Changes in non-cash working capital items	13	**1,116,467**	183,350
Net cash used in operating activities		**(334,740)**	(597,258)
Cash flows from investing activities:			
Prototype development costs	6	**(288,159)**	(121,394)
Purchase of property and equipment	5	**(27,193)**	-
Net cash used in investing activities		**(315,352)**	(121,394)
Cash flows from financing activities:			
Proceeds from loan/borrowing	14	**136,006**	253,894
Proceeds from issuance of promissory notes	8	**76,669**	-
Repayment of promissory notes	8	**(84,734)**	-
Proceeds from issuance of debenture	9	**170,000**	-
Repayment of debentures	9	**(157,550)**	-
Repayment of lease liability	10	**(12,601)**	-
Proceeds from loan payable to director		**-**	374,191
Net cash provided by (used in) financing activities		**127,790**	628,085
Net decrease in cash and cash equivalents		**(522,302)**	(90,567)
Cash and cash equivalents, beginning of the period		**575,248**	90,892
Cash and cash equivalents, end of the period		**52,946**	325

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

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**
Issuance of debenture	(13,864)	183,864	-	-	**170,000**
Repayment of debentures	(7,550)	(150,000)	99,872	(99,872)	**(157,550)**
Total changes from financing cash flows	(21,414)	33,864	99,872	(99,872)	**12,450**
Other changes					
Interest accrued on debentures	11,827	-	-	-	**11,827**
Accretion of discount on debentures	-	88,010	-	-	**88,010**
Balance as of May 31, 2023	**15,206**	**707,503**	**210,399**	**65,730**	**998,838**

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". On June 6, 2023, the company consolidated its share capital at the rate of 20 pre consolidation share to 1 post consolidation share.

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 six months ended May 31, 2023 and 2022 of $1,424,602 and $756,276, respectively. In addition, as at May 31, 2023 and 2022 the Company had an accumulated deficit of $8,428,938 and $4,736,019, 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 six months ended May 31, 2023.

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. Significant 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.

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 as of May 31, 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
Additions	9,056	7,336	10,801	63,542	90,735
May 31, 2023	**13,595**	**7,336**	**15,385**	**63,542**	**99,858**
Accumulated depreciation at:					
December 1, 2021	-	-	-	-	-
Additions	687	-	678	-	1,365
November 30, 2022	687	-	678	-	1,365
Additions	2,478	498	2,936	11,052	16,964
May 31, 2023	**3,165**	**498**	**3,614**	**11,052**	**18,329**
Net book value at:					
November 30, 2022	**3,852**	**-**	**3,906**	**-**	**7,758**
May 31, 2023	**10,430**	**6,838**	**11,771**	**52,490**	**81,529**

6. Intangible assets

Intangible assets as of May 31, 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
Additions	288,159
Balance as of May 31, 2023	**1,540,691**

7. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities as of May 31, 2023 and November 30, 2022 were as follows:

	May 31, 2023	**November 30, 2022**
	$	$
Design development	284,801	65,366
Accounting and administrative services	1,230,668	764,488
Total accounts payable and accrued liabilities	**1,515,469**	**829,854**

8. Promissory notes payable

Balances and activities for the six months ended May 31, 2023 and 2022 were as follows:

Issue date:	**July 31, 2022**	**May 31, 2023**	**Total**
Maturity date:	**October 1, 2023**	**September 30, 2023**	
	$	$	$
Balance as at December 1, 2021	-	-	-
Balance as at May 31, 2022	**-**	**-**	**-**
Balance as at December 1, 2022	595,535	-	595,535
Additions[(a)]	-	150,000	150,000
Repayment	(84,734)	-	(84,734)
Interest accrued	12,697	41	12,738
Effect of foreign exchange	(27,520)	-	(27,520)
Balance as at May 31, 2023	**495,978**	**150,041**	**646,019**

(a) On May 31, 2023 a new promissory note worth of $150,000 was issued with the lending fee of 6% per annum if the note is repaid by June 30, 2023; 10% per annum if repaid by July 31, 2023; 14% per annum if repaid by August 31, 2023; 18% per annum if repaid by September 30, 2023 and 25% per annum if not repaid by September 30, 2023. The interest is payable upon maturity of the promissory note. Of the total of $150,000, the Company received $76,669 in cash and $73,331 was converted from accounts payable. The promissory note is unsecured.

9. Convertible Debentures

Balances and activities of the convertible debenture for the six months ended May 31, 2023 and 2022 were as follows:

Issue date:	**March 11, 2021**	**November 22, 2021**	**June 30, 2022**	**May 4, 2023**	**Total**
Maturity date:	**December 31, 2022**	**October 1, 2023**	**October 1, 2023**	**May 4, 2024**	
	$	$	$	$	$
Balance as at December 1, 2021	941,273	296,175	-	-	1,237,447
Accretion of discount	106,803	25,320	-	-	132,124
Balance as at May 31, 2022	**1,048,076**	**321,495**	**-**	**-**	**1,369,571**
Balance as at December 1, 2022	-	290,952	294,677	-	585,629
Accretion of discount	-	44,500	34,979	-	79,479
Issuance of debenture[(a)]	-	-	-	170,000	170,000
Repayment of debenture	-	(150,000)	-	-	(150,000)
Conversion of debenture [(b)]	-	-	(329,656)	343,520	13,864
Accretion of interest	-	-	-	8,531	8,531
Balance as at May 31, 2023	**-**	**185,452**	**-**	**522,051**	**707,503**

(a) On May 4, 2023, the Company issued 170 new convertible debenture units at an issue price of $1,000 per debenture unit, for a total issue price of $170,000. The total principal amount payable upon maturity of convertible debenture units equals to $212,500 and the maturity date is May 4, 2024. The difference between issue price and amount payable upon maturity, being interest, is accreted over the term of the debenture, at an effective rate of 25% per annum. Interest expense related to this debenture units was $2,824 for the three and six months ended May 31, 2023. This $212,500 debenture is convertible to common shares at a price of $0.30 per common share.

(b) On May 4, 2023, the Company and the holder of the debentures issued on June 30, 2022 and maturing on October 1, 2023 agreed to convert the debenture balance of $329,656 and the interest accrued to date of $13,864, for an aggregate of $343,520, into new convertible debenture units. The total amount payable upon maturity of the new convertible debenture is $429,400 and the maturity date is May 4, 2024. The difference between issue price and amount payable upon maturity, being interest, is accreted over the term of the debenture, at an effective rate of 25% per annum. Interest expense related to this debenture units was $5,707 for the three and six months ended May 31, 2023. This $429,400 debenture is convertible to common shares at a price of $0.30 per common share.

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 May 31, 2023, and 2022, the Company's lease liabilities were as follows:

Lease liability	**2023**	**2022**
	$	$
Current portion	32,323	-
Long-term portion	21,617	-
Total lease liability	**53,940**	**-**

Balances and activities for the six months ended May 31, 2023 and 2022 were as follows:

	Six months ended May 31, 2023	**Six months ended May 31, 2022**
	$	$
Balance, the beginning of the period	-	-
Additions	63,542	-
Lease payments	(12,601)	-
Interest on lease liability	2,999	-
Balance, end of the period	**53,940**	**-**

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 regard to the Company's residual assets.

(b) Issued and outstanding

There were no shares issued during the six months ended May 31, 2023.

(c) Stock options

Number of options outstanding as of May 31, 2023 were as follows:

Outstanding	**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 six months ended May 31, 2023 and 2022 were as follows:

	For the six months ended May 31, 2023		For the six months ended May 31, 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	-	-	21,500,000	0.05
Balance at the end of the period	**29,000,000**	**0.05**	**21,500,000**	**0.05**

(d) Warrants

Changes in the warrants reserve for the six months ended May 31, 2023 and 2022 were as follows:

	For the six months ended May 31, 2023	**For the six months ended May 31, 2022**
	$	$
Balance at the beginning of the period	926,422	275,098
Balance at the end of the period	**926,422**	**275,098**

Changes in warrants outstanding for the six months ended May 31, 2023 and 2022 were as follows:

	Six months ended May 31, 2023		Six months ended May 31, 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
Balance, end of the period	**69,564,137**	**0.10**	**38,867,200**	**0.03**

The following table is a summary of the Company's warrants issuance and outstanding as of May 31, 2023 and 2022:

May 31, 2023			May 31, 2022		
Outstanding	**Exercise price**	**Expiry date**	**Outstanding**	**Exercise price**	**Expiry date**
#	$		#	$	
			31,867,200	0.02	November 27, 2022
7,000,000	0.10	November 22, 2023	7,000,000	0.10	November 22, 2023
7,496,137	0.10	June 30, 2024	-	-	
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**	

(e) Contributed Surplus

Debentures issued in November 2021 were repaid in full on December 2, 2022. Equity conversion feature of $49,298 initially recognized towards these debentures was transferred to contributed surplus.

On May 4, 2023 the Company repaid debenture previously issued on June 2022 and equity conversion feature of $50,574 that was initially recognized towards original debentures were transferred to contributed surplus.

Changes in the contributed surplus for the six months ended May 31, 2023 and 2022 were as follows:

	For the six months ended May 31, 2023	For the six months ended May 31, 2022
	$	$
Balance at the beginning of the period	**110,527**	-
Repayment of debentures (Note 9)	99,872	-
Balance at the end of the period	**210,399**	**-**

12. 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 six months ended May 31, 2023 and 2022 are as follows:

	Six months ended May 31, 2023 $	Six months ended May 31, 2022 $
Decrease/(increase) in other receivables	150,585	(39,255)
Decrease/(increase) in prepaid expenses and deposits	75,788	(7,178)
Increase in accounts payable and accrued liabilities	890,094	229,783
	1,116,467	**183,350**

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 May 31, 2023 and 2022 included in these condensed interim financial statements:

	May 31, 2023 $	May 31, 2022 $
Balances, due to related parties		
Accounts payable and accrued liabilities [(a)]	121,599	699,678
Promissory note and accrued interest (See Note 8) [(b)]	495,978	-
Convertible debenture host liability (See Note 9) [(c)]	139,089	112,082
Accrued interest on convertible debenture[(c)]	3,740	3,740
Loans payable [(d)]	136,006	326,790

The following table represents transactions with related parties for the six months ended May 31, 2023 and 2022 included in these condensed interim financial statements:

	Three months ended May 31, 2023 $	Three months ended May 31, 2022 $	Six months ended May 31, 2023 $	Six months ended May 31, 2022 $
Transactions for the period				
Administrative expenses [(e)]	87,396	100,500	154,920	201,000

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

(b) Promissory notes and accrued interest relate to agreements with the CEO and a corporation controlled by a director. During the six months ended May 31, 2023, $84,734 was repaid towards this promissory note.

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

(d) Loan received from one of the Directors of the Company. Loan is a demand loan with no interest or security.

(e) Administration expenses relate to the CEO's and CTO's salary, 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 May 31, 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:

	May 31, 2023 $	November 30, 2022 $
Financial assets, measured at amortized cost		
Cash and cash equivalents	52,946	575,248
Financial liabilities, measured at amortized cost		
Accounts payable and accrued liabilities	1,515,469	829,854
Convertible debenture host liability	707,503	585,629
Accrued interest on convertible debentures	15,206	24,793
Loans payable	136,006	-
Lease liability	53,940	-
Promissory notes payable	646,019	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 May 31, 2023 under its financial instruments is $52,946.

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 May 31, 2023, the Company had cash of $ 52,946.

The following obligations existed as of May 31, 2023 and November 30, 2022:

May 31, 2023	**Total**	**Less than 1 year**	**1-5 years**
	$	$	$
Accounts payable and accrued liabilities	1,515,469	1,515,469	-
Lease liability	53,940	32,323	21,617
Promissory notes payable	646,019	646,019	-
Loans Payable	136,006	136,006	-
Convertible debenture host liability and accrued interest on convertible debentures	722,709	722,709	-
	3,074,143	**3,052,526**	**21,617**

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 May 31, 2023, there would be a $24 impact on the net loss and comprehensive loss (November 30, 2022-$385).

17. Subsequent events

On June 6, 2023 the Company filed the articles of amendment consolidating the Company's common shares at a ratio equal to 20 pre-consolidated shares to 1 new post-consolidated share. As a result, the number of issued and outstanding common shares were reduced from 354,425,745 to 17,721,285. The Company began trading on a post-consolidation basis on June 6, 2023, at the commencement of trading of the CSE.