

**Critical Infrastructure Technologies Ltd.**  
**(Formerly, 1319275 B.C. LTD.)**

Condensed Interim Financial Statements  
(Expressed in Canadian Dollars)

For the three and twelve months ended December 31, 2022

**1319275 B.C. LTD**Condensed Interim Statement of Financial Position  
(Expressed in Canadian dollars)

	As at December 31 2022	As at June 30, 2022
<b>Assets</b>		
Current Assets		
Cash	\$ 26,570	83,271
Loan receivable (Note 6)	200,000	200,000
<b>Total Assets</b>	<b>\$ 226,570</b>	<b>283,271</b>
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 139,389	35,458
	139,389	35,458
Shareholders' Equity		
Share capital (Note 5)	875,550	835,550
Shares to be issued (Note 5)	-	
Reserves (Note 5)	132,239	132,239
Deficit	(920,608)	(719,976)
	87,181	247,813
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 226,570</b>	<b>283,271</b>

Nature of business and continuing operations (Note 1)  
Proposed Transaction (Note 11)

Approved on Behalf of the Board on February 28, 2023:

"Brenton Scott"  
Brenton Scott – CEO/Director

"Eugene Hodgson"  
Eugene Hodgson – CFO/Director

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

**1319275 B.C. LTD**

Condensed Interim Statement of Loss and Comprehensive Loss  
 For the three and twelve months period ended December 31, 2022  
 (Expressed in Canadian dollars)

	for the three months period ended December 31 2022	for the twelve months period ended December 31 2022	for the period from incorporation on August 11, 2021 to December 31, 2021
<b>Expenses</b>			
Advisory and Investment fee (Note 7)	\$ 91,186	\$514,154	\$121,239
General and Admin fees	235	2,040	344
Professional fees	-	216,725	11,835
Share based compensation ( Note 4,5)	-	54,271	-
	<u>(91,421)</u>	<u>(787,190)</u>	<u>(133,418)</u>
Loss and comprehensive loss for			
The period	\$(91,421)	\$(787,190)	\$(133,418)
			<u>1</u>
Weighted average number of Common shares outstanding			
Basic and diluted (Note 8)	30,950,000	30,950,000	5,218,310
Basic and diluted loss per share	\$ (0.02)	\$ (0.02)	\$ (0.03)

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

**1319275 B.C. LTD**

## Statement of Changes in Shareholders' Equity

For the twelve months period ended December 31, 2022

(Expressed in Canadian dollars)

	Share Capital		Shares to be issued	Reserves	Deficit	Total Shareholders' Equity
	Number	Amount				
<b>Balance, December 31, 2021</b>	<b>10,500,000</b>	<b>\$ 50,050</b>	<b>\$ 138,000</b>	<b>\$ -</b>	<b>\$ (133,418)</b>	<b>\$ 54,632</b>
Common shares issued (Note 5)	15,900,000	558,000	(138,000)	-	-	420,000
Common shares issued for services (Note 5,7)	4,550,000	227,500	-	-	-	227,500
Warrants issued (Note 5,7)	-	-	-	77,968	-	77,968
Special Warrant	-	40,000	-	-	-	40,000
Share based compensation (Note 5)	-	-	-	54,271	-	54,271
Loss for the period	-	-	-	-	(787,190)	(787,190)
<b>Balance, December 31, 2022</b>	<b>30,950,000</b>	<b>\$ 875,550</b>	<b>\$ -</b>	<b>\$ 132,239</b>	<b>\$ (920,608)</b>	<b>\$ 87,181</b>
<b>Balance, (incorporation) – August 11, 2021</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Common shares issued	10,500,000	50,050	138,000	-	(138,418)	54,632
Loss for the period	-	-	-	-	-	-
<b>Balance, December 31, 2021</b>	<b>\$ 10,500,000</b>	<b>\$ 50,050</b>	<b>\$ 138,000</b>	<b>\$ -</b>	<b>\$ (138,418)</b>	<b>\$ 54,632</b>

The Company received pre-paid subscription funds of \$40,000 in connection with a special warrant financing of the Company, which subsequently completed in February 2023.

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

**1319275 B.C. LTD**

## Statement of Cash Flows

For the three and twelve months ended December 31,2022

(Expressed in Canadian dollars)

	For the three months period ended December 31, 2022	For the twelve months period ended December 31, 2022	For the period from incorporation on August 11, 2021 to December 31, 2021
<b>Cash provided by (used for):</b>			
<b>Operating Activities:</b>			
Loss for the period	(91,421)	\$ (787,190)	\$ (133,418)
Items not involving cash:			
Warrants issued (Note 5,7)	-	77,968	-
Share based compensation (Note 5)	-	54,271	-
Investment fees (Note 5,7)	-	227,500	-
Net change in non-cash working capital items:			
Accounts payable and accrued liabilities	61,709	129,389	10,000
	(29,712)	(298,062)	(123,418)
<b>Investing Activity:</b>			
Loan receivable (Note	-	(150,000)	(50,000)
	-	(150,000)	(50,000)
<b>Financing Activity:</b>			
Proceeds from share issuance (Note 5b)	-	420,000	188,050
Special Warrant	40,000	40,000	-
	40,000	460,000	188,050
<b>Change in cash for the period</b>	<b>10,288</b>	<b>11,938</b>	<b>14,632</b>
<b>Cash, beginning of the period</b>	<b>16,282</b>	<b>14,632</b>	<b>-</b>
<b>Cash, end of the period</b>	<b>26,570</b>	<b>\$ 26,570</b>	<b>14,632</b>
<b>Supplemental information:</b>			
Interest paid	-	\$ -	-
Income taxes	-	\$ -	-
Share Subscription Receivable	-	\$ 825,500	50,050

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

## **1319275 B.C. LTD**

### Notes to the Financial Statements

For the three and twelve months period ended December 31, 2022

(Expressed in Canadian dollars)

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#### **1. NATURE OF BUSINESS AND CONTINUING OPERATIONS**

Critical Infrastructure Technologies Ltd. (formerly, 1319275 B.C. Ltd.) (the “Company” or “1319275 B.C. Ltd”) was incorporated under the name “1319275 B.C. Ltd.” pursuant the British Columbia Business Corporations Act on August 11, 2021. The Company’s head office and records and registered office is located at 2600 – 1066 West Hastings Street Vancouver, BC V6E 3X1. On February 13, 2023, the Company changed its name to “Critical Infrastructure Technologies Ltd.”.

The Company has an accumulated deficit of \$920,608 as at December 31, 2022. The Company's ability to continue its operations is dependent upon obtaining additional financing sufficient to cover its operating costs. All the preceding indicates the existence of a material uncertainty that may cast substantial doubt about the Company’s ability to continue as a going concern. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

#### **2. STATEMENT OF COMPLIANCE**

These condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all the information required for full annual financial statements.

The preparation of these condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

#### **3. BASIS OF PRESENTATION**

These condensed interim financial statements should be read in conjunction with the Company’s audited financial statements for the period from incorporation on August 11, 2021 to December 31, 2021.

We applied the same accounting policies in these condensed interim financial statements as those applied in the Company’s audited financial as at December 31, 2021 and for the period from incorporation on August 11, 2021 to December 31, 2021, except as noted herein. In preparing these condensed interim financial statements, the significant judgements we made in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements for the period ended December 31, 2021.

## **1319275 B.C. LTD**

### Notes to the Financial Statements

For the three and twelve months period ended December 31, 2022

(Expressed in Canadian dollars)

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#### **4. RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

As of December 31, 2022, \$nil was due to related parties (December 31, 2021 - \$nil).

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them are recorded at their exchange amounts as agreed upon by transacting parties.

During the twelve months ended December 31, 2022, \$54,271 was recorded as share-based compensation costs for key management personnel and companies related to them.

#### **5. SHARE CAPITAL**

##### **(a) Authorized**

Unlimited number of common and preferred shares without par value.

##### **(b) Issued and outstanding**

On February 28, 2022, the Company issued 14,400,000 common shares at \$0.02 per share for gross proceeds of \$288,000. Of these total proceeds, the Company had previously received \$88,000 during twelve months period ended December 31, 2021.

On March 31, 2022 the Company issued 1,000,000 common shares at \$0.15 per share for gross proceeds of \$150,000.

On April 30, 2022 the Company paid to Alke Capital Limited a commitment fee of 4,550,000 common shares at \$0.05 per share (Note 7) and issued 5,673,902 common share purchase warrants. The warrants will be exercisable by Alke for three years from the date of issuance to April 30, 2025 at a price per share equal to \$0.30 (Note 6c). The value of the issued warrants is \$77,968. The following weighted-average assumptions have been used for the Black-Scholes valuation for the warrants granted: risk-free interest rate – 2.66%; expected life – 3; expected volatility – 100% and expected dividends – nil.

On May 18, 2022 the Company issued 500,000 common shares at \$0.24 per share for gross proceeds of \$120,000. Of these total proceeds, the Company had previously received \$50,000 during twelve months period ended December 31, 2021.

**1319275 B.C. LTD**

## Notes to the Financial Statements

For the three and twelve months period ended December 31, 2022

(Expressed in Canadian dollars)

As at December 31, 2022, the issued share capital was comprised of 30,950,000 common shares.

	Number of Shares	Amount \$
<b>December 31, 2021</b>	<b>10,500,000</b>	<b>\$50,050</b>
February 28, 2022 – share issuance	14,400,000	288,000
March 31, 2022 – share issuance	1,000,000	150,000
April 30, 2022 – share issuance for services	4,550,000	227,500
May 18, 2022 – share issuance	500,000	120,000
<b>Balance, December 31, 2022</b>	<b>30,950,000</b>	<b>835,550</b>

**(c) Warrants**

A summary of the Company's warrant activity is as follows:

	Number of warrants	Weighted Average Exercise Price \$
Balance, December 31, 2021	5,000,000	0.10
Granted	5,673,902	0.30
<b>Balance, December 31, 2022</b>	<b>10,673,902</b>	<b>\$0.21</b>

As at December 31, 2022, outstanding warrants were as follows:

Grant Date	Number of warrants outstanding and exercisable	Exercise Price	Expiry date	Remaining contractual life (years)
October 25, 2021	5,000,000	\$0.10 <sup>1</sup>	October 25, 2026	4.32
April 30, 2022	5,673,902	\$0.30	April 30, 2025	2.84
<b>Total</b>	<b>10,673,902</b>	<b>\$0.21</b>		<b>3.53</b>

**(d) Options**

A summary of the Company's stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price \$
Balance, December 31, 2021	-	-
Granted	300,000	0.24

<sup>1</sup> These warrants were re-priced from \$0.10 to \$0.30 subsequent to December 31, 2022.



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### Notes to the Financial Statements

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(Expressed in Canadian dollars)

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<b>Balance, December 31, 2022</b>	<b>300,000</b>	<b>\$ 0.24</b>
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As at December 31, 2022, outstanding options were as follows:

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<b>Grant Date</b>	<b>Number of options outstanding</b>	<b>Number of options exercisable</b>	<b>Exercise Price</b>	<b>Expiry date</b>	<b>Remaining contractual life (years)</b>
May 20, 2022	300,000	300,000	\$0.24	May 20, 2027	4.89
<b>Total</b>	<b>300,000</b>	<b>300,000</b>	<b>\$0.24</b>		<b>4.89</b>

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On May 20, 2022, the Company issued 300,000 stock options to various directors at an exercise price of \$0.24 of which all options vest immediately and expire on May 20, 2027. The following weighted-average assumptions have been used for the Black-Scholes valuation for the stock options granted: risk-free interest rate – 2.70%; expected life – 5; expected volatility – 100% and expected dividends – nil.

#### (e) Special Warrants

The Company issued 133,333 special warrants an exercise of \$0.30 for \$40,000 during the three months ended December 31, 2022.

## 6. LOAN RECIEVABLE

On December 17, 2021 the Company entered into a loan agreement to advance \$50,000 to CITP (See Note 11). The loan is interest free until its maturity date of December 17, 2022, after which point it accrues interest rate of 10% per annum. On March 31, 2022 the Company entered into a separate loan agreement to advance up to \$150,000. The loan is interest free until its maturity date of July 31, 2023, after which point it accrues interest rate of 10% per annum. A total of \$150,000 had been loaned under the second facility as at December 31, 2022.

## 7. INVESTMENT AND ADVISORY AGREEMENT

On April 30, 2022 the Company and Alke Capital Limited ("Alke") entered into the investment and advisory agreement (the "Alke Agreement"). Pursuant to the Alke Agreement, Alke will (a) provide certain advisory services to the Company, ("Alke Advisory Services"), and (b) make available to the Company a non-revolving equity drawdown facility in the aggregate amount of up to \$5,000,000 (the "Funding Commitment").

The Funding Commitment is for an aggregate amount of \$5,000,000 and a term of three years. In addition, the Company may use the Funding Commitment as security, with the consent of Alke, to secure additional financing avenues if it so chooses. Upon listing of its common shares on the Canadian Stock Exchange (the "Listing") and under the terms of the Alke Agreement, the Company can immediately start drawing down funds from the \$5,000,000 Funding Commitment during the

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### Notes to the Financial Statements

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(Expressed in Canadian dollars)

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three-year term at the Company's discretion by providing a notice to Alke (an "Alke Drawdown Notice").

The Alke Advisory Services include (a) advisory services with respect to general corporate and public company matters; (b) assistance in identifying strategic investment opportunities for the Company; and (c) such other services as agreed to by the Company and Alke in writing from time-to-time. The Alke Advisory Services provided by Alke including compensation related to any specific services to the Company pursuant to the Alke Agreement will be on a project specific basis. In connection with the provision of the Alke Advisory Services, the Company paid an initial fee of \$2,500, paid by issuance of 50,000 shares at \$0.05 per share.

Additionally, the Company paid to Alke a commitment fee of \$225,000, equal to 4.5% of the Funding Commitment, paid by issuance of 4,500,000 shares at \$0.05 per share, and issued 5,673,902 common share purchase warrants. The warrants will be exercisable by Alke for three years from the date of issuance to April 30, 2025 at a price per share equal to \$0.30.

#### **8. BASIC AND DILUTED LOSS PER SHARE**

The calculation of basic and diluted loss per share for the period ended December 31, 2022 was based on the loss attributable to common shareholders of \$728,504 and the weighted average number of common shares outstanding of 25,255,495.

#### **9. MANAGEMENT OF CAPITAL**

The Company defines capital as consisting of shareholder's equity (comprised of issued share capital, share-based payment reserve, and deficit). Management's objective is to provide investment management services to shareholders which includes investing in marketable securities for the purpose of returns in the form of investment income and capital appreciation, as well as the ability to meet its on-going operational obligations as they become due.

The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. As at December 31, 2022 the Company is not subject to any externally imposed capital requirements or debt covenants.

#### **10. FINANCIAL INSTRUMENTS**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

## 1319275 B.C. LTD

### Notes to the Financial Statements

For the three and twelve months period ended December 31, 2022

(Expressed in Canadian dollars)

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#### **Market Risk**

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk and are disclosed as follows:

##### **(i) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no financial instruments that are denominated in a currency other than Canadian dollars. As at September 30, 2022, the Company is not exposed to currency risk.

##### **(ii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in interest rates. The Company's sensitivity to interest rates relative to its cash balances is currently immaterial. The Company also has no long-term debt with variable interest rates, so it has no negative exposure to changes in the market interest rate.

##### **(iii) Price rate risk**

The Company has no exposure to price risk with respect to equity prices as the Company is not listed. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market.

#### **Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions. Management believes that the credit risk related to its cash is negligible.

#### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At December 31, 2022, the Company has a cash balance of \$26,570 with current liabilities of \$139,389 and the working capital of \$87,181. As such, the Company has insufficient cash to fund corporate overhead costs for this fiscal year.

The Company likely has insufficient funds from which to finance any identified business acquisition and as such will require additional financing to accomplish the Company's long-term strategic objectives. Future funding may be obtained by means of issuing share capital and/or debt financing. There can be no certainty of the Company's ability to raise additional financing through these means. If the Company is unable to continue to finance itself through these means, it is possible that the Company will be unable to continue as a going concern. Consequently, the Company is exposed to liquidity risk as at December 31, 2022.

**1319275 B.C. LTD**

Notes to the Financial Statements

For the three and twelve months period ended December 31, 2022

(Expressed in Canadian dollars)

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**Fair Value Measurements**

The fair value of cash is determined based on Level 1 inputs.

As at December 31, 2022 the Company's financial instruments consist of cash, loan receivable, and accounts payable and accrued liabilities. Loan receivable is classified as amortized cost. Accounts payable and accrued liabilities are classified as amortized cost. The fair values of these financial instruments approximate their carrying values because of their short-term nature.

**11. PROPOSED TRANSACTION**

On December 14, 2021 the Company signed a Share Purchase Agreement with Critical Infrastructure Technologies Pty Ltd. ("CITP"), as subsequently amended, by which the Company would acquire all of the issued and outstanding shares of CITP in exchange for 48,135,399 common shares of the Company (the "Acquisition"). CITP is an Australian company focused on developing communications products for the mining, emergency service, defence and government sectors. The Acquisition closed on February 13, 2023.