

Critical Infrastructure Technologies Ltd.

Condensed and Consolidated Interim Financial Statements
(Expressed in Canadian Dollars)

For the three and nine months ended March 31, 2023

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

Critical Infrastructure Technologies Ltd
Condensed Interim Statement of Financial Position
(Expressed in Canadian dollars)

	As at March 31, 2023	As at June 30, 2022
Assets		
Current Assets		
Cash	\$ 602,581	83,271
Loan receivable	\$ -	200,000
Security Deposit	\$ 79,241	-
Intangible assets (Note 5)	\$ 15,468,835	-
Total Assets	\$ 16,150,657	283,271
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 401,135	35,458
Loan and borrowings	\$ 359,049	-
Shareholders' Equity		
Share capital (Note 6)	\$ 16,519,123	835,550
Reserves (Note 6)	\$ 132,239	132,239
Deficit	\$ (1,260,889)	(719,976)
	\$ 15,390,473	247,813
Total Liabilities and Shareholders' Equity	\$ 16,150,657	283,271

Nature of business and continuing operations (Note 1)

Approved on Behalf of the Board on May 30, 2023:

"Brenton Scott"
Brenton Scott – CEO/Director

"Eugene Hodgson"
Eugene Hodgson – CFO/Director

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

Critical Infrastructure Technologies

Condensed Interim Statement of Loss and Comprehensive Loss

For the three and nine months period ended March 31, 2023

(Expressed in Canadian dollars)

	For the three months period ended March 31, 2023	For the nine months period ended March 31, 2023	For the six months period ended December 31, 2022
Expenses			
Advisory and Investment fee	\$ 52,500	\$143,686	\$ 91,186
General and Admin fees	\$859	\$2,261	\$1,402
Professional fees	\$203,303	\$311,347	\$108,044
Other operating expenses	\$ 1,450	\$ 1,450	-
Amortization – R&D	\$ 240,903	\$ 240,903	-
	(\$499,015)	(\$699,647)	(\$200,632)
Loss and Comprehensive Loss for the period	\$(499,015)	\$(699,647)	\$(200,632)
Weighted average number of Common shares outstanding	30,950,000	30,950,000	30,950,000
Basic and diluted (Note 7)			
Basic and diluted loss per share	\$ (0.02)	\$ (0.02)	\$ (0.01)

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

Critical Infrastructure Technologies Ltd

Statement of Changes in Shareholders' Equity

For the three and nine months period ended March 31, 2023

(Expressed in Canadian dollars)

	Share Capital			Reserves	Deficit	Total Shareholders' Equity
	Number	Amount	Shares to be issued			
Balance, December 31, 2021	10,500,000	\$ 50,050	\$138,000	\$ -	\$ (133,418)	\$ 54,632
Common shares issued (Note 6)	15,900,000	\$ 558,000	(138,000)	-	-	420,000
Common shares issued for services (Notes 6 & 8)	4,550,000	\$ 227,500	-	-	-	227,500
Warrants issued (Notes 6)	-	-	-	77,968	-	77,968
Special Warrant	-	40,000	-	-	-	40,000
Share based compensation (Note 6)	-	-	-	54,271	-	54,271
Loss for the period	-	-	-	-	(787,190)	(787,190)
Balance, December 31, 2022	30,950,000	\$ 875,550	\$ -	\$ 132,239	\$ (920,608)	\$ 87,181
Special Warrant*	4,062,500	\$1,178,900	-	-	-	1,178,900
Common shares issued	230,000	\$69,000	-	-	-	69,000
Common shares issued (CITP)	48,147,899	\$14,444,370	-	-	-	14,444,370
Loss for the period	-	-	-	-	\$ (256,662)	(256,662)
Balance, March 30, 2023	83,377,899	16,567,820	\$-	\$132,239	\$ (1,177,270)	\$ 15,522,789

Balance, (incorporation) – August 11, 2021	-	\$ -	-	\$ -	\$ -	\$ -
Common shares issued	10,500,000	50,050	138,000	-	(138,418)	54,632
Loss for the period	-	-	-	-	-	-
Balance, December 31, 2021	\$ 10,500,000	\$ 50,050	\$ 138,000	\$ -	\$ (138,418)	\$ 54,632

*The Company received the funds of \$1,218,750 in connection a private placement of special warrants of the Company which closed on February 8, 2023.

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

Critical Infrastructure Technologies Ltd
Statement of Cash Flows
For the three and nine months ended March 31, 2023
(Expressed in Canadian dollars)

	For the three months period ended March 31, 2023	For the nine months period ended March 31, 2023	For the six months period ended December 31, 2022
Cash provided by (used for):			
Operating Activities:			
Loss for the period	\$ (499,015)	\$ (699,647)	\$ (200,632)
Items not involving cash:			
Amortization	\$ 240,902	\$ 240,902	-
Net change in non-cash working capital items:			
Accounts payable and accrued liabilities	\$ 94,469	\$ 322,283	\$ 103,931
	\$ (163,644)	\$ (136,462)	\$ (96,700)
Investing Activity:			
Development expenditure	\$ (632,128)	\$ (632,128)	
Financing Activity:			
Proceeds from share issuance (Note 6)	\$ 69,000	\$ 69,000	-
Special Warrant	\$ 1,178,900	\$1,218,900	\$ 40,000
	\$ 615,772	\$655,772	\$ 40,000
Change in cash for the period	\$ 452,128	\$ 519,310	\$ (56,701)
Cash, beginning of the period	\$ 150,453	\$ 83,271	\$ 83,271
Cash, end of the period	\$ 602,581	\$ 602,581	\$ 26,570
Supplemental information:			
Interest paid			
Income taxes			
Share Subscription Receivable	\$ 825,500	\$ 825,500	\$ 835,500

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

Critical Infrastructure Technologies Ltd

Notes to the Financial Statements

For the three and nine months period ended March 31, 2023

(Expressed in Canadian dollars)

1. NATURE OF BUSINESS AND CONTINUING OPERATIONS

Critical Infrastructure Technologies Ltd. (the "Company") 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 \$699,647 as at March 31, 2023. 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

During the nine months ended March 31, 2023, the Company changed its fiscal year end from December 31 to June 30. The comparative period is the nine months ended March 31, and the six months ended December 31, 2022. The new financial year will align the Company with its Australian subsidiary.

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

Critical Infrastructure Technologies Ltd

Notes to the Financial Statements

For the three and nine months period ended March 31, 2023

(Expressed in Canadian dollars)

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.

These condensed and consolidated interim financial statements include the accounts of the Company and its subsidiary on a consolidated basis after elimination of intercompany transactions and balances. These condensed and consolidated interim financial statements include the operating results of acquired entities from the date control commences until the day control ceases. The operating subsidiary the Company has control over is as follows:

Subsidiary	Ownership
Critical Infrastructure Technologies Pty Ltd. (Australia)	100%

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 March 31, 2023, \$nil was due to related parties (December 31, 2022 - \$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.

5. INTANGIBLE ASSETS	March 31, 2023	June 30, 2022
R & D expenditure capitalized	\$ 1,991,755	-
Goodwill (on the CITP acquisition)	<u>\$13,477,080</u>	-
	<u>\$15,468,835</u>	-

6. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

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For the three and nine months period ended March 31, 2023

(Expressed in Canadian dollars)

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 ("Alke") a commitment fee of 4,550,000 common shares at \$0.05 per share (Note 8) and issued 5,673,902 common share purchase warrants. The warrants will be exercisable by Alke for three years from the date of issuance (being, April 30, 2025) at a price per share equal to \$0.30 (Note 7c). 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.

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 48,147,899 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. As consideration for all of the issued and outstanding shares of CITP and on closing of the Acquisition on February 13, 2023, the Company issued to the shareholders of CITP an aggregate of 48,135,399 common shares in the capital of the Company at a price per share of \$0.30 for aggregate consideration of \$14,444,370. Pursuant to the Acquisition, CITP became a wholly owned subsidiary of the Company.

As at March 31, 2023, the issued share capital was comprised of 83,377,899 common shares.

	Number of Shares	Amount \$
December 31, 2021	10,500,000	\$50,050
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
Balance, December 31, 2022	30,950,000	835,550

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(Expressed in Canadian dollars)

Special Warrants	4,062,500	1,178,900
Common Shares issued	230,000	69,000
Common Shares issued (CITP)	48,147,899	14,444,370
Balance, March 31, 2023	83,377,899	16,567,820

(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
Balance, March 31, 2023	10,673,902	\$0.21

As at March 31, 2023, 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 ¹	October 25, 2026	4.32
April 30, 2022	5,673,902	\$0.30	April 30, 2025	2.84
Total	10,673,902	\$0.21		3.53

(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
Balance, March 31, 2023	300,000	\$ 0.24

As at March 31, 2023, outstanding options were as follows:

¹ These warrants were re-priced from \$0.10 to \$0.30 on October 11, 2022.

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

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

On February 8, 2023, the Company closed a private placement of special warrants (the "**Special Warrant Financing**"), which resulted in 4,062,500 special warrants being issued at a price of \$0.30 per special warrant, raising an aggregate amount of \$1,218,750. On February 15, 2023, the special warrants of the Company were converted into 4,062,500 common shares in the capital of the Company.

6. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the period ended March 31, 2023, was based on the loss attributable to common shareholders of \$1,177,270 and the weighted average number of common shares outstanding of 83,377,899.

7. 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 March 31, 2023, the Company is not subject to any externally imposed capital requirements or debt covenants.

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8. 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:

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 March 31, 2023, 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 March 31, 2023, the Company has a cash balance of \$508,419 with current liabilities of \$70,000 and the working capital of \$1,078,419. As such, the Company has insufficient cash to fund corporate overhead costs for this fiscal year.

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(Expressed in Canadian dollars)

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 March 31, 2023.

Fair Value Measurements

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

As at March 31, 2023 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.

9. SUBSEQUENT EVENTS

Subsequent to March 31, 2023, the Company received a further advance of \$325,608 from Radium Capital on May 12, 2023, which the Company anticipates repaying once the R&D Rebate for the year ended June 30, 2023, is received by the Company.