

Integrated Cyber Solutions, Inc
(Formerly 1332996 B.C. Ltd)

Condensed Interim Consolidated Financial Statements
For The Periods ended December 31, 2023 and 2022
(Expressed in United States Dollars)

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Integrated Cyber Solutions, Inc. (Formerly 1332996 B.C. Ltd)

Condensed Interim Consolidated Statements of Financial Position

As at December 31, 2023 and June 30, 2023

*(Expressed in United States dollars unless otherwise specified)**(Unaudited)*

	As at	December 31	June 30,
	Note(s)	2023	2023
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		20,797	11,432
Accounts receivable less allowance for doubtful accounts	11	13,513	22,840
		34,310	34,272
Non-current assets			
Equipment	4	3,795	9,065
TOTAL ASSETS		38,105	43,337
LIABILITIES			
Current liabilities			
Accounts payable	5, 8	114,552	259,269
Accrued liabilities	5	-	89,906
Loans payable – short term	6, 8	183,364	50,004
		297,916	399,179
Long term liabilities			
Loans payable	6, 8	25,000	210,601
TOTAL LIABILITIES		322,916	609,780
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	7	5,249,853	4,439,333
Stock options reserve	7	60,389	60,389
Warrants reserve	7	1,286,518	1,207,391
Accumulated other comprehensive income (loss)		(20,966)	(5,577)
Accumulated income (deficit)		(6,860,605)	(6,267,979)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		(284,811)	(566,443)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		38,105	43,337
Nature and continuance of operations	1		
Subsequent events	13		

These consolidated financial statements were approved for issue by the Board of Directors on February 29, 2024 and signed on its behalf by:

“Rob Bain”, Director; “Alan Guibord”, Director

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

Integrated Cyber Solutions, Inc. (Formerly 1332996 B.C Ltd)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the Six and Three Months Ended December 31, 2023 and 2022

(Expressed in United States dollars unless otherwise specified)

(Unaudited)

	Note(s)	Six months ended		Three months ended	
		December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
		\$	\$	\$	\$
Income					
Services		58,000	128,554	8,293	68,660
Cost of Sales					
Service providers		49,360	123,726	23,010	64,865
Other costs		6,197	8,500	-	4,000
		55,557	132,226	23,010	68,865
Gross profit (loss)		2,443	(3,672)	(14,717)	(205)
Expenses					
Accounting and audit fees		49,298	7,850	37,634	2,850
Consulting fees	8	147,308	38,194	138,308	12,600
Contract labor		30,831	-	21,600	-
Depreciation	4	5,270	612	2,574	612
General and administrative costs		40,482	24,747	30,747	11,360
Legal fees		78,155	3,055	78,155	-
Marketing	8	146,838	62,100	110,727	35,250
Transfer agent and filing fees		26,988	-	19,000	-
Travel		6,572	9,805	4,229	4,426
		531,742	146,363	442,974	67,098
Loss before other items		(529,299)	(150,035)	(457,691)	(67,303)
Other income (expenses)					
Interest and financing fees	6,7	(64,033)	-	(61,749)	-
Gain on foreign exchange		706	-	2,643	-
		(63,327)	-	(59,106)	-
Net loss		(592,626)	(150,035)	(516,797)	(67,303)
Other comprehensive loss: (items that may be subsequently reclassified to profit or loss)					
Foreign currency translation to reporting currency		(15,389)	-	(38,344)	-
Comprehensive loss		(608,015)	(150,035)	(555,141)	(67,303)
Basic and diluted loss per share for the period attributable to shareholders					
		(0.01)	(0.01)	(0.01)	(0.00)
Weighted average number of shares outstanding					
Basic and diluted		58,845,403	15,661,087	61,220,951	15,661,087

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

Integrated Cyber Solutions, Inc. (Formerly 1332996 B.C. Ltd)

Condensed Interim Consolidated Statements of Changes in Equity (Deficiency)

(Expressed in United States dollars unless otherwise specified)

(Unaudited)

	Share Capital				Accumulated Other Comprehensive Income (Loss) \$	Retained Earnings (Deficit) \$	Total Shareholders' Equity (Deficiency) \$
	Number	Amount \$	Stock Options Reserve \$	Warrants Reserve \$			
Balance, June 30, 2022	-	-	-	-	-	(101,057)	(101,057)
Loss for the period	-	-	-	-	-	(150,035)	(150,035)
Balance, December 31, 2022	-	-	-	-	-	(251,092)	(251,092)
Balance, June 30, 2023	56,495,676	4,439,333	60,389	1,207,391	(5,577)	(6,267,979)	(566,443)
Shares issued	5,000,000	913,500	-	-	-	-	913,500
Share issuance costs	-	(102,980)	-	17,638	-	-	(85,342)
Issuance of Top-Up Warrants (Note 9)	-	-	-	61,489	-	-	61,489
Loss for the period	-	-	-	-	-	(592,626)	(592,626)
Cumulative translation adjustment	-	-	-	-	(15,389)	-	(15,389)
Balance, December 31, 2023	61,495,676	5,249,853	60,389	1,286,518	(20,966)	(6,860,605)	(284,811)

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

Integrated Cyber Solutions, Inc. (Formerly 1332996 B.C. Ltd)

Condensed Interim Consolidated Statements of Cash Flows

For the Six Months Ended December 31, 2023 and 2022

*(Expressed in United States dollars unless otherwise specified)**(Unaudited)*

	For the six months ended	
	December 31, 2023	December 31 2022
	\$	\$
Cash flows from		
OPERATING ACTIVITIES		
Net loss for the period	(592,626)	(150,035)
Adjustments for items not affecting cash:		
Depreciation	5,270	612
Accrued interest	2,544	-
Warrants issued for financing fee	61,489	-
Net changes in working capital items		
Accounts receivable, net	9,327	27,660
Accounts payable and accrued liabilities	(234,623)	69,354
Cash flow used in operating activities	(748,619)	(52,409)
FINANCING ACTIVITIES		
Cash received from loans	27,200	-
Repayment of loans	(82,000)	-
Cash received from the issuance of units	913,500	-
Share issuance costs - cash	(85,342)	-
Cash flow provided by financing activities	773,358	-
Impact of currency translation on cash	(15,374)	-
Increase (decrease) in cash and cash equivalents	9,365	(52,409)
Cash and cash equivalents, beginning of period	11,432	88,798
Cash and cash equivalents, end of period	20,797	36,389
Cash and cash equivalents consist of:		
Cash	20,797	36,389
Cash equivalents	-	-
	20,797	36,389

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

Integrated Cyber Solutions, Inc. (Formerly 1332996 B.C. Ltd)

Notes to the Condensed Interim Consolidated Financial Statements

For The Periods Ended December 31, 2023, and 2022

(Expressed in United States dollars unless otherwise specified)

(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

The Company was incorporated under the Business Corporations Act (British Columbia) on November 12, 2021, with the name 1332996 B.C. Ltd. The Company's registered office is located at 2600-1066 West Hastings St., Vancouver British Columbia V6E 3X1.

On May 12, 2023, the Company completed a reverse takeover (the "**Reverse Takeover**") with Integrated Cyber Solutions, LLC, a company organized under the Limited Liability Company Act of the State of Connecticut, on November 8, 2016. Pursuant to the Reverse Takeover, the Company changed its name to Integrated Cyber Solutions, Inc. Following the completion of the Reverse Takeover, Integrated Cyber Solutions LLC became a wholly owned subsidiary of the Company. As consideration for the Reverse Takeover, the Company issued to the Integrated Cyber Solutions LLC Members an aggregate of 32,280,000 common shares (Note 3).

The Company began trading on the Canadian Stock Exchange (CSE) under the stock symbol ICS on October 10, 2023.

The Company is a managed security service provider ("**MSSP**") that delivers cybersecurity managed services to the Small-to-Medium Business ("**SMB**") and Small-to-Medium Enterprise ("**SME**") segments, integrating capabilities from third-party cybersecurity providers.

As a result of the Reverse Takeover, the former Members of Integrated Cyber Solutions LLC acquired control of the Company. Integrated Cyber Solutions LLC was deemed as the acquirer for accounting purposes, and therefore its assets, liabilities and operations are included in the consolidated financial statements at their historical carrying value. The Company's results of operations are those of Integrated Cyber Solutions LLC with the Company's operations being included from May 12, 2023, the closing date of the Reverse Takeover, onwards.

Going concern

At December 31, 2023, the Company had working capital deficit of \$263,606 and an accumulated deficit of \$6,860,605.

The condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future. There are no assurances that the Company will be successful in its efforts to secure additional financing in the future as required. These matters result in material uncertainties which may cast significant doubt on whether the Company will continue as a going concern. The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used.

There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect on the Company's business or ability to raise funds.

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on February 29, 2024.

Integrated Cyber Solutions, Inc. (Formerly 1332996 B.C. Ltd)

Notes to the Condensed Interim Consolidated Financial Statements

For The Periods Ended December 31, 2023, and 2022

(Expressed in United States dollars unless otherwise specified)

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Statement of compliance to International Financial Reporting Standards

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of presentation

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”), and its interpretations, using accounting policies consistent with International Financial Reporting Standards (“IFRS”). The condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended June 30, 2023, which have been prepared in accordance with IFRS as issued by the IASB and interpretations of the IFRS Interpretations Committee (“IFRIC”). The accounting policies followed in these condensed interim financial statements are consistent with those applied in the Company’s financial statements for the year ended June 30, 2023.

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for financial instruments carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The functional currency is determined using the currency of the primary economic environment in which that entity operates. The functional currency of the Company is the Canadian Dollar and the functional currency of Integrated Cyber Solutions LLC is the United States Dollar. All amounts presented are in United States dollars unless otherwise indicated.

Consolidation

These condensed interim consolidated financial statements are presented on a consolidated basis and include the accounts of the Company and its controlled entities. Control occurs when the Company is exposed to, or has right to, variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. Details of controlled entities are as follows:

Entity	Country of Incorporation	Functional Currency	Percentage Owned
			June 30, 2023
Integrated Cyber Solutions LLC	United States	United States Dollars	100%

All intercompany balances and transactions have been eliminated on consolidation.

Integrated Cyber Solutions, Inc. (Formerly 1332996 B.C. Ltd)

Notes to the Condensed Interim Consolidated Financial Statements

For The Periods Ended December 31, 2023, and 2022

(Expressed in United States dollars unless otherwise specified)

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Critical accounting judgements, estimates and assumptions:

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in these consolidated financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. Revisions to estimates are adjusted prospectively in the period in which the estimates are revised. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) are discussed below.

Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law in the relevant jurisdiction. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision.

Management believes they have adequately provided for the probable outcome of these matters; however, the outcome may result in a materially different outcome than the amount included in the tax liabilities. In addition, the Company recognizes deferred tax assets relating to tax losses carried forward only to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Going concern

Management's assessment that the Company will be able to execute its strategy and fund future working capital requirements to continue as a going concern requires significant judgment.

Integrated Cyber Solutions, Inc. (Formerly 1332996 B.C. Ltd)

Notes to the Condensed Interim Consolidated Financial Statements

For The Periods Ended December 31, 2023, and 2022

(Expressed in United States dollars unless otherwise specified)

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Critical accounting judgements, estimates and assumptions(continued)

Estimates

- **Share-based payment transactions**

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

- **Fair value of consideration in the Reverse Takeover**

The consideration to acquire the Company in the Reverse Takeover was comprised of shares. The fair value of such shares was determined on the date of issuance. The Company applied IFRS 2, "Share-based Payment" in accounting for this transaction.

- **Revenue recognition**

Application of the accounting principles related to the measurement and recognition of revenue requires the Company to make judgments and estimates. Revenue arrangements may be comprised of multiple performance obligations. Judgment is required in determining the performance obligations that exist in an arrangement and the nature of these deliverables. Management also applies judgement in the calculation of the estimated life of a contract, the value of amounts recoverable on contracts and the timing of revenue recognition.

Significant accounting policies

The accounting policies set out in the audited consolidated financial statements for the year ended June 30, 2023 have been applied consistently to all periods presented in these condensed interim consolidated financial statements.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2023. The Company does not expect that any new or amended standards or interpretations that are effective for annual periods beginning on or after January 1, 2023 will have a significant impact on the Company's results of operations or financial position.

Integrated Cyber Solutions, Inc. (Formerly 1332996 B.C. Ltd)

Notes to the Condensed Interim Consolidated Financial Statements

For The Periods Ended December 31, 2023, and 2022

(Expressed in United States dollars unless otherwise specified)

(Unaudited)

3. REVERSE TAKEOVER

On May 12, 2023 (“Acquisition Closing Date”), the Company completed a reverse takeover (the “Reverse Takeover”) with Integrated Cyber Solutions, LLC, a company organized under the Limited Liability Company Act of the State of Connecticut, on November 8, 2016. Pursuant to the Reverse Takeover, the Company changed its name to Integrated Cyber Solutions, Inc. Following the completion of the Reverse Takeover, Integrated Cyber Solutions LLC became a wholly owned subsidiary of the Company. As consideration for the Reverse Takeover, the Company issued to the Integrated Cyber Solutions LLC members an aggregate of 32,280,000 common shares (the “Compensation Shares”).

As a result of the Reverse Takeover, the former members of Integrated Cyber Solutions LLC acquired control of the Company. Integrated Cyber Solutions LLC was deemed as the acquirer for accounting purposes, and therefore its assets, liabilities and operations are included in the consolidated financial statements at their historical carrying value. The Company’s results of operations are those of Integrated Cyber Solutions LLC with the Company’s operations being included from May 12, 2023, the closing date of the Reverse Takeover, onwards.

At the time of the Reverse Takeover, the Company did not meet the definition of a business as defined under IFRS 3 “Business Combinations”. Hence, the qualifying transaction was accounted for as an asset acquisition in accordance with IFRS 2, “Share-Based Payment”.

Pursuant to the Purchase Agreement, the 32,280,000 common shares issued to the Integrated Cyber Solutions LLC members, will be subject to contractual escrow as follows:

- 25% of the Compensation Shares will be released on the twelve-month anniversary of the Acquisition Closing Date;
- 25% of the Compensation Shares will be released on the eighteen-month anniversary of the Acquisition Closing Date; and
- 50% of the Compensation Shares will be released on the twenty four-month anniversary of the Acquisition Closing Date.

Integrated Cyber Solutions, Inc. (Formerly 1332996 B.C. Ltd)

Notes to the Condensed Interim Consolidated Financial Statements

For The Periods Ended December 31, 2023, and 2022

*(Expressed in United States dollars unless otherwise specified)**(Unaudited)***3. REVERSE TAKEOVER (CONTINUED)**

The fair value of the consideration issued to acquire the net assets of the Company is as follows:

	\$
24,215,676 common shares at a fair value of \$0.18 (CAD 0.25) per share	4,439,333
Fair value of replacement options	60,389
Fair value of replacement warrants	1,207,391
Transaction costs	84,941
Total Consideration	5,792,054
Net assets (liabilities) acquired:	
Cash and cash equivalents	4,195
Accounts receivable	6,522
Loan receivable (intercompany)	151,592
Accounts payable	(182,840)
Loan payable	(80,204)
	(100,735)
Listing expense	5,892,789
	5,792,054

The fair value of the 24,215,676 common shares was determined to be \$0.18 (CAD 0.25) per share pursuant to the most recent financing completed prior to the closing of the Reverse Takeover transaction.

Refer to Note 7 for the valuation of replacement options and warrants.

Integrated Cyber Solutions, Inc. (Formerly 1332996 B.C. Ltd)

Notes to the Condensed Interim Consolidated Financial Statements

For The Periods Ended December 31, 2023, and 2022

*(Expressed in United States dollars unless otherwise specified)**(Unaudited)***4. EQUIPMENT**

	Computer and Office Equipment
	\$
Cost	
As at June 30, 2022, June 30, 2023 and December 31, 2023	30,890
Depreciation	
As at June 30, 2022	(21,117)
Charged for the year	(708)
As at June 30, 2023	(21,825)
Charged for the period	(5,270)
As at December 31, 2023	(27,095)
Effect of foreign exchange	
Net book value	
As at June 30, 2023	9,065
As at December 31, 2023	3,795

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2023	June 30, 2022
	\$	\$
Accounts payable (Note 8)	114,552	259,269
Accrued liabilities	-	89,906
	114,552	349,175

Integrated Cyber Solutions, Inc. (Formerly 1332996 B.C. Ltd)

Notes to the Condensed Interim Consolidated Financial Statements

For The Periods Ended December 31, 2023, and 2022

*(Expressed in United States dollars unless otherwise specified)**(Unaudited)***6. LOANS PAYABLE**

	December 31, 2023	June 30, 2023
	\$	\$
Loan payable to an arm's length party. This loan is non-interest bearing, with terms of repayment as follows: <ul style="list-style-type: none"> • Payable in 24 equal monthly installments of \$4,167, commencing 60 days after the close of the Reverse Takeover. As at December 31, 2023, no amounts have been repaid against this loan, with \$75,000 (June 30, 2023 - \$50,006) recorded as current, and the remaining \$25,000 (June 30, 2023 - \$49,996) classified as non-current.	100,000	100,000
During the year ended June 30, 2023, the Company incurred marketing expenses valued at \$70,000 from a related party. The amounts owing were converted into a non-interest-bearing loan, with a maturity date of December 31, 2024. (Note 8)	70,000	70,000
Loan payable to a related party, in the amount of \$80,000. This loan accrues interest at 10% per annum, compounding monthly. The principal, plus accrued interest, is due December 31, 2024 (the "Maturity Date"). As at December 31, 2023, accrued interest amounts to \$11,164 (June 30, 2023 - \$10,605). (Note 8).		
During the period ended December 31, 2023, the Company repaid \$80,000 in principal, and \$2,000 in accrued interest.	11,164	90,605
During the period ended December 31, 2023, the Company loaned \$27,200 from a related party. This amount is non-interest bearing, with no terms of repayment. (Note 8).	27,200	-
	208,364	260,605
Less: Current portion of loans payable	(183,364)	(50,004)
Loans payable – non-current	25,000	210,601

Integrated Cyber Solutions, Inc. (Formerly 1332996 B.C. Ltd)

Notes to the Condensed Interim Consolidated Financial Statements

For The Periods Ended December 31, 2023, and 2022

(Expressed in United States dollars unless otherwise specified)

(Unaudited)

7. SHAREHOLDERS' EQUITY (DEFICIENCY)

Authorized share capital

As at December 31, 2023, the authorized share capital of the Company consists of an unlimited number of common and preferred shares without par value.

Share capital transactions

During the period ended December 31, 2023:

On October 6, 2023, the Company completed its initial public offering of 5,000,000 Units at CAD\$0.25 (\$0.18) per Unit. Each Unit consisted of one common share of the Company, and one share purchase warrant. Each warrant is exercisable into one common share of the Company, at an exercise price of CAD\$0.50 for 24 months. In connection with this financing, 256,500 agent warrants were issued, with an exercise price of CAD\$0.50 for 24 months. These agent warrants were valued at \$17,638 using the Black-Scholes Option Pricing Model, with the following assumptions: share price - CAD\$0.25; risk-free interest rate – 4.87%; expected life – 2 years; expected volatility – 100% and expected dividends – nil. The Company also incurred \$85,342 of cash share issuance costs.

In addition to this financing, 425,000 Top-Up Warrants were issued to Alke in conjunction with their agreement (Note 9). These warrants were recorded as an interest and financing fees in the statement of loss and comprehensive loss, valued at \$61,489 using the Black-Scholes Option Pricing Model, with the following assumptions: share price - CAD\$0.25; risk-free interest rate – 4.87%; expected life – 3 years; expected volatility – 100% and expected dividends – nil

The Company's shares began trading on the Canadian Securities Exchange ("CSE") on October 10, 2023, under the symbol ICS.

During the year ended June 30, 2023:

Prior to the Reverse Takeover, the Company had 23,450,000 common shares issued and outstanding. Integrated Cyber Solutions LLC had no common shares issued or outstanding, only members equity (deficit) resulting from member contributions, distributions, and profit and loss.

Immediately preceding the Reverse Takeover, the following transactions closed:

- 485,676 Special Warrants, valued at \$0.18(CAD\$0.25), were converted into one common share and one warrant of the Company.
- 280,000 Units of the Company were issued at \$0.18(CAD \$0.25) per unit for gross proceeds of \$50,400. Each Unit consisted of one common share and one half warrant. The warrants were valued at \$Nil, using the residual value method.

Following these transactions the Company had a total of 24,215,676 common shares outstanding. In connection with the Reverse Takeover, 32,280,000 common shares of the Company were issued to acquire all of the members equity of Integrated Cyber Solutions LLC. Refer to Note 3 for the accounting methodology applied to the Reverse Takeover

Integrated Cyber Solutions, Inc. (Formerly 1332996 B.C. Ltd)

Notes to the Condensed Interim Consolidated Financial Statements

For The Periods Ended December 31, 2023, and 2022

*(Expressed in United States dollars unless otherwise specified)**(Unaudited)***7. SHAREHOLDERS' EQUITY (DEFICIENCY) (CONTINUED)****Stock Options**

Integrated Cyber Solutions LLC had no options issued or outstanding prior to the Reverse Takeover.

On May 23, 2022, the Company adopted a stock option plan (the "Stock Option Plan") whereby it can grant incentive stock options to directors, officers, employees, and consultants of the Company. The maximum number of shares that may be reserved for issuance under the Stock Option Plan is limited to 10% of the issued and outstanding common shares of the Company at any time. The vesting period for all options is at the discretion of the Board of Directors. The exercise price will be set by the Board of Directors at the time of grant and cannot be lower than the exercise price permitted by the Canadian Securities Exchange.

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

	Number of options	Weighted average exercise price
Balance, June 30, 2022	200,000	\$CAD 0.30
Granted	250,000	\$CAD 0.30
Balance, June 30, 2023 and December 31, 2023	450,000	\$CAD 0.30

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

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date	Remaining contractual life (years)
200,000	200,000	\$CAD 0.30	June 6, 2027	3.63
250,000	250,000	\$CAD 0.30	July 1, 2027	3.50
450,000	450,000	\$CAD 0.30		3.47

Upon completion of the Reverse Takeover, stock options previously issued by the Company were considered as compensation in the transaction, as "replacement options" in Note 3. The following weighted-average assumptions have been used for the Black-Scholes valuation for the replacement: share price - CAD\$0.25; risk-free interest rate - 3%; expected life - 5; expected volatility - 100% and expected dividends - nil.

Integrated Cyber Solutions, Inc. (Formerly 1332996 B.C. Ltd)

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7. SHAREHOLDERS' EQUITY (DEFICIENCY) (CONTINUED)

Warrants

Integrated Cyber Solutions LLC had no warrants issued or outstanding prior to the Reverse Takeover.

The Company had 7,657,500 share purchase warrants and 485,676 Special Warrants issued and outstanding prior to the Reverse Takeover, with a weighted average exercise price of \$CAD 0.11.

Upon completion of the Reverse Takeover, warrants previously issued by the Company were considered as compensation in the transaction, as "replacement warrants" in Note 3. The following weighted-average assumptions have been used for the Black-Scholes valuation for the replacement: share price - CAD\$0.25; risk-free interest rate – 3%; expected life – 3.9 years, expected volatility – 100% and expected dividends – nil.

In connection with the Reverse Takeover the following transactions closed related to warrants:

- 485,676 Special Warrants converted into common shares and warrants for no additional proceeds;
- 140,000 warrants were issued attached to Units, with an expiry date of May 9, 2028, and an exercise price of \$CAD 0.25.
- 3,144,632 warrants were issued pursuant to an advisory agreement upon successful completion of a public listing (Note 9). These warrants have an expiry date of April 20, 2025 and an exercise price of \$CAD 0.10.

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

	Number of warrants	Weighted average exercise price
Balance, June 30, 2022	7,657,500	\$CAD 0.10
Issued	3,770,308	\$CAD 0.13
Balance, June 30, 2023	11,427,808	\$CAD 0.11
Issued	5,681,000	\$CAD 0.47
Balance, December 31, 2023	17,108,808	\$CAD 0.23

As at December, 2023, outstanding warrants were as follows:

Number of warrants outstanding	Exercise price	Expiry date	Remaining contractual life (years)
4,802,132	\$CAD 0.10	April 20, 2025	1.30
485,676	\$CAD 0.30	October 6, 2025	1.77
5,256,000	\$CAD 0.50	October 6, 2025	1.77
425,000	\$CAD 0.10	October 25, 2026	2.77
6,000,000	\$CAD 0.10	December 14, 2026	2.96
140,000	\$CAD 0.25	October 6, 2028	4.77
17,108,808	\$CAD 0.23		2.10

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8. RELATED PARTIES

Key management personnel

Key management personnel are persons responsible for planning, directing, and controlling the activities of an entity, and include the members of the Board of Directors and executive officers of the Company.

During the periods ended December 31, 2023 and 2022, the Company incurred the following transactions with related parties:

	Six months ended December 31, 2023 (\$)	Six months ended December 31, 2022 (\$)	Three months ended December 31, 2023 (\$)	Three months ended December 31, 2022 (\$)
Consulting fees to the CEO	30,000	-	30,000	-
Consulting fees to the CFO	38,000	-	38,000	-
Consulting fees to a director	7,301	-	7,301	-
Marketing fees to a company controlled by two significant shareholders	31,000	21,000	10,000	-
	106,301	21,000	85,301	-

As at December 31, 2023 and June 30, 2023, the Company had the following amounts due to related parties:

- As at December 31, 2023 and June 30, 2023, \$70,000 is owing to a company controlled by two significant shareholders, in the form of a loan as discussed in Note 6.
- As at December 31, 2023, the Company also had a loan payable, with accrued interest of \$11,164 (June 30, 2023 - \$90,605) to another significant shareholder, with terms also discussed in Note 6. As at December 31, 2023, the Company also had a loan payable of \$27,200 (June 30, 2023 - \$Nil) this is party, with no terms of repayment, as discussed in Note 6.
- As at December 31, 2023, the Company had \$25,407 (June 30, 2023- \$14,337) included in accounts payable, owing to management, directors, and other related parties.

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9. COMMITMENTS AND CONTINGENCIES

Commitments

Prior to the Reverse Takeover, on April 15, 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 three-year term at the Company's discretion by providing a notice to Alke (an "Alke Drawdown Notice"). No funds have been withdrawn under the Funding Commitment as of June 30, 2023.

As an additional provision of the Alke Agreement, in the event that the Shares of the Company become listed for trading on a recognized stock exchange in North America then the Company will issue a pre-determined additional amount of warrants to Alke immediately following listing ("Top-Up Warrants"). 425,000 Top-Up Warrants were issued upon completion of the listing (Note 7).

Contingencies

At times there may be claims and legal proceedings generally incidental to the normal course of business that are pending or threatened against the Company. Although the Company cannot predict the outcome of these matters when they arise, in the opinion of management, any liability arising from them will not have a material adverse effect on the balance sheet, result of operations, or liquidity of the Company. At December 31, 2023 and June 30, 2023, there were no claims or legal proceedings.

10. CAPITAL MANAGEMENT

The Company's objective when managing capital is to maintain adequate levels of funding in order to safeguard the Company's ability to continue as a going concern, fund its planned activities and commitments and retain financial flexibility to respond to unforeseen future events and circumstances. The Company manages and makes adjustments to its capital structure based on the level of funds on hand and anticipated future expenditures. In order to maintain or adjust the capital structure, the Company has, when required, raised additional capital from shareholders. The Company has not paid dividends, nor returned capital to shareholders to date. The Company considers items included in shareholders' equity as capital.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged.

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*(Expressed in United States dollars unless otherwise specified)**(Unaudited)***11. FINANCIAL INSTRUMENTS****Fair value**

The fair values of financial assets and liabilities, together with their carrying amounts, are presented by class in the following table:

December 31, 2023	December 31, 2023	FVTPL	Amortized cost	FVTOCI
	\$	\$	\$	\$
ASSETS				
Cash and cash equivalents	20,797	-	20,797	-
Accounts receivable	13,513	-	13,513	-
LIABILITIES				
Accounts payable	114,552	-	114,552	-
Loans payable - current	183,364	-	183,364	-
Long Term liabilities	25,000	-	25,000	-
	June 30, 2023	FVTPL	Amortized cost	FVTOCI
	\$	\$	\$	\$
ASSETS				
Cash and cash equivalents	11,432	-	11,432	-
Accounts receivable	22,840	-	22,840	-
LIABILITIES				
Accounts payable	259,269	-	259,269	-
Loans payable - current	50,004	-	50,004	-
Long Term liabilities	210,601	-	210,601	-

The Company's short-term financial instruments approximate their fair values due to their short terms to maturity. The Company's long-term financial liabilities approximate their fair values due to their market interest rates.

There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority.

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Unobservable (supported by little or no market activity) prices.

The Company does not have any financial instrument carried at fair value.

The recorded amounts of financial instruments approximate their respective fair values due to either their short-term nature or market interest rate for long term debt.

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11. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management

In the normal course of business, the Company is inherently exposed to certain financial risks, including market risk, credit risk and liquidity risk, through the use of financial instruments. The timeframe and manner in which the Company manages these risks varies based upon management's assessment of the risk and available alternatives for mitigating risk. The Company does not acquire or issue derivative financial instruments for trading or speculative purposes. All transactions undertaken are to support the Company's operations.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The significant market risks to which the Company is exposed are currency risk and interest rate risk.

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 changes in foreign exchange rates. Exchange rate fluctuations affect the costs that the Company incurs in its operations. The Company is exposed to minimal currency risk arising from transactions in Canadian dollars which would not have a material impact on the financial statements due to normal fluctuations against the United States Dollar.

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have any financial instruments with variable rates of interest and is therefore not exposed to interest rate risk.

Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company's maximum exposure to credit risk is attributable to its cash and accounts receivable before considering allowance for doubtful accounts. The Company limits the exposure to credit risk by only storing its cash with high-credit quality financial institutions and assessing customers credit worthiness prior to entering into contracts. Management believes that the credit risk is acceptably low.

As at December 31, 2023 and June 30, 2023 the Company had accounts receivable and allowance for doubtful accounts as follows:

	December 31, 2023	June 30, 2023
	\$	\$
Accounts receivable	150,513	159,840
Allowance for doubtful accounts	(137,000)	(137,000)
Accounts receivable, net of allowance	13,513	22,840

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11. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due.

As at December 31, 2023, the Company had cash and cash equivalents of \$20,7797 and current liabilities of \$297,916. At December 31, 2023, the Company's operations do not generate positive cash flows. The Company's primary source of funding has been the issuance of equity securities through private placements. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings (Note 1 "Going concern"). The Company is exposed to liquidity risk. The Company's long term debt of \$25,000 is due June 10, 2025.

12. SEGMENTED INFORMATION

The Company operates as a single segment, being the provision of cybersecurity managed services in the United States of America ("USA"). All long-lived assets are located in the USA.