Liberty Defense Holdings, Ltd.

Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2023 and 2022

UNAUDITED
Prepared by Management

(Expressed in U.S. dollars)

LIBERTY DEFENSE HOLDINGS, LTD.

Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2023 and 2022

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed interim consolidated financial statements of Liberty Defense Holdings, Ltd., (the "Company") have been prepared by and are the responsibility of Company’s management and approved

The Company’s independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by CPA Canada for a review of interim financial

May 24, 2023

Liberty Defense Holdings, Ltd.

Consolidated Interim Statements of Financial Position

(Expressed in U.S. dollars)
Unaudited - Prepared by Management

		March 31, 2023		December 31, 2022
Assets				
Current assets:				
Cash	$	107,566	$	677,473
Amounts receivable, prepaids and deposits (note 4)		184,739		312,135
Inventory (note 5)		488,099		485,592
Lease receivable current portion (note 10)		20,221		19,941
		800,625		1,495,141
Non-current assets:				
Property and equipment (note 6)		1,255,557		1,001,538
Intangible assets (note 7)		3,775,151		3,730,463
Lease receivable (note 10)		1,736		6,896
		5,032,444		4,738,897
Total assets	**$**	**5,833,069**	**$**	**6,234,038**
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	$	1,895,072	$	1,475,934
Working capital loans (note 8)		719,207		–
CEBA loan (note 9)		27,060		28,812
Lease liabilities (note 10)		191,418		123,911
		2,832,757		1,628,657
Non-current liabilities:				
Non-current lease liabilities (note 10)		827,475		514,395
Battelle Memorial patent expense (note 7)		–		–
Total liabilities	$	3,660,232	$	2,143,052
Shareholders’ equity				
Share capital (note 11)	$	28,942,395	$	28,936,296
Equity reserves (note 12)		3,738,950		3,518,365
Accumulated other comprehensive loss		(274,437)		(252,669)
Deficit		(30,234,071)		(28,111,006)
Total shareholders’ equity		2,172,837		4,090,986
Total liabilities and shareholders’ equity	**$**	**5,833,069**	**$**	**6,234,038**

Nature of operations and going concern (note 1)
Subsequent events (note 21)

Approved by the Board of Directors on May 24, 2023, and signed on the Company’s behalf by:

"William Frain"
Director

"Daryl Rebeck"
Director

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Liberty Defense Holdings, Ltd.

Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in U.S. dollars)
Unaudited - Prepared by Management

		Three months ended March 31, 2023		2022
Revenues				
Revenue (note 14)	$	511,571	$	–
Research and development:				
Product development		83,548		67,579
Technology costs		72,135		183,559
Legal fees		-		1,430
Salaries and consulting fees (note 17)		1,026,080		1,066,122
Stock-based compensation (note 12 and 17)		27,058		7,681
Office, rent and administration		101,649		86,102
Travel and miscellaneous		10,185		64,100
Depreciation (note 6)		181,827		53,361
Amortization (note 7)		158,636		80,712
General Expenses:				
Salaries and consulting fees (note 17)		445,142		199,210
Depreciation (note 6)		–		–
Legal and professional fees		25,978		137,684
Stock-based compensation (note 12 and 17)		193,528		416,948
Office, rent and administration		204,951		33,752
Regulatory and shareholder information		77,054		2,694
Travel, promotion and investor relations		9,794		180,424
		2,617,565		2,581,358
Other (income) expense:				
Interest income		–		–
Other income and expenses		–		–
Interest expense		18,828		14,003
Accretion expense (note 9)		(1,757)		700
Foreign exchange (gain) loss		–		(94,665)
		17,071		(79,962)
Net loss for the period	**$**	**(2,123,065)**	**$**	**(2,501,396)**
Other comprehensive loss				
Items that may be reclassified subsequently to profit or (loss)				
Foreign currency translation adjustment	$	(21,768)	$	(131,283)
Total items that may be reclassified subsequently to profit or loss		(21,768)	$	(131,283)
Total loss and comprehensive loss for the period	**$**	**(2,144,833)**	**$**	**(2,632,679)**
Weighted average number of common shares outstanding				
Basic and diluted		116,839,406		68,058,999
Loss per share				
Basic and diluted loss per share (note 13)	$	(0.02)	$	(0.04)

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Liberty Defense Holdings, Ltd.

Consolidated Interim Statements of Changes in Shareholder' Equity

(Expressed in U.S. dollars)
Unaudited - Prepared by Management

	Number of common shares*		Share capital		Equity reserves		Accumulated other comprehensive income (loss)		Deficit		Total
Balance as at December 31, 2021	**63,993,345**	**$**	**18,284,177**	**$**	**2,743,825**	**$**	**(58,410)**	**$**	**(15,951,592)**	**$**	**5,018,000**
Issue of subscription receipts and private placement, net of share issue cost (note 11)	26,439,375		6,018,063		–		–		–		6,018,063
Fair value of compensation brokers warrants (note 12)	–		312,816		(312,816)		–		–		–
Stock based compensation (note 11 & 12)	–		–		424,629		–		–		424,629
Warrants exercised (note 12)	246,600		58,580		–		–		–		58,580
Fair value of warrants allocated to share capital issued on exercise (note 11)	–		21,479		(21,479)		–		–		–
Foreign currency translation adjustment	–		–		–		(131,283)		–		(131,283)
Loss for the period	–		–		–		–		(2,501,396)		(2,501,396)
Balance as at March 31, 2022	**90,679,320**	**$**	**24,695,115**	**$**	**2,834,159**	**$**	**(189,693)**	**$**	**(18,452,988)**	**$**	**8,886,593**
Balance as at December 31, 2022	**116,839,406**	**$**	**28,936,296**	**$**	**3,518,365**	**$**	**(252,669)**	**$**	**(28,111,006)**	**$**	**4,090,986**
Issue of private placement, net of share issue cost (note 11)	–		6,099		–		–		–		6,099
Stock based compensation (note 12)	–		–		220,586		–		–		220,586
Foreign currency translation adjustment	–		–		–		(21,768)		–		(21,768)
Loss for the period	–		–		–		–		(2,123,065)		(2,123,065)
Balance as at March 31, 2023	**116,839,406**	**$**	**28,942,395**	**$**	**3,738,950**	**$**	**(274,437)**	**$**	**(30,234,071)**	**$**	**2,172,837**

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Liberty Defense Holdings, Ltd.
Consolidated Interim Statements of Cash Flows
(Expressed in U.S. dollars)
Unaudited - Prepared by Management

	Three months ended March 31, 2023	2022
Cash (used in) provided by:		
Operating activities:		
Loss and comprehensive loss for the period	$ (2,123,065)	$ (2,501,396)
Items not involving cash:		
Lease liability interest (note 10)	(3,572)	8,698
Accretion expense CEBA loan (note 9)	(1,826)	700
Depreciation (note 6)	181,827	53,361
Amortization (note 7)	158,636	80,712
Stock based compensation (note 12)	220,586	424,629
Changes in non-cash working capital:		
Amounts receivable and prepaids (note 4)	127,396	(7,381)
Inventory (note 5)	(2,507)	–
Accounts payable and accrued liabilities	938,345	(67,776)
Cash used in operating activities	(504,180)	(2,008,453)
Investing activities:		
Additions to intangible assets (note 7)	(3,324)	(102,421)
Additions to property and equipment (note 6)	(28,676)	(14,267)
Cash used in investing activities	(32,000)	(116,688)
Financing activities:		
Proceeds from issuance of units, net of share issue costs (note 11)	6,099	6,018,063
Proceeds in connection to warrants exercised (note 11)	–	58,580
Lease payments received (note 10)	5,241	4,939
Repayment of leases (note 10)	(23,699)	(31,226)
Cash provided by financing activities	(12,359)	6,050,356
Effect of foreign exchange rate changes on cash	(21,368)	(131,919)
Effect of foreign exchange rate changes on cash	(21,368)	(131,919)
Increase in cash	(569,907)	3,793,296
Cash, beginning of the period	677,473	1,341,573
Cash, end of the period	**$ 107,566**	**$ 5,134,869**

During the period ended March 31, 2023 and 2022, the Company paid $nil in income taxes.

Suplemental cash flow information		
Fair value of compensation brokers warrants (note 11)	$ –	$ 307,878
Fair value of shares issued for corporate finance fee (note 11)	–	79,029
Reclassification from reserves upon warrant exercise	–	21,479

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

1. Nature of operations and going concern

Liberty Defense Holdings, Ltd. ("Liberty" or the "Company"), is a public company (TSXV: SCAN, Frankfurt: L2D, OTCQB: LDDFF), that was incorporated under the Business Corporation Act of Ontario on June 8, 2012. The Company's registered and records office is registered at 1055 West Georgia Street, 1500 Royal Centre, P.O. Box 11117. Vancouver, British Columbia, V6E 4N7, Canada.

The Company is principally engaged in the commercialization of an active 3D imaging technology system, HEXWAVE, to detect concealed threats.

Going concern

These condensed interim consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business. The Company incurred in a total loss during the three months ended March 31, 2023, of $2,123,065 and cash outflows from operating activities of $504,180. In order to continue the commercialization of the HEXWAVE, the Company will require additional funds to achieve its development timeline and bring HEXWAVE to market. The Company has certain committed development milestones over the next twelve months and based on the Company's current forecasted operational and development spend, the Company will require additional funds to meet these milestones. While the Company has been successful in arranging financing in the past, the success of such initiatives cannot be assured. This material uncertainty casts significant doubt upon the Company's ability to continue as a going concern.

These interim condensed consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

2. Basis of presentation

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 – Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed interim consolidated financial statements were approved for issuance by the Board of Directors on May 24, 2023.

(b) Basis of presentation

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. This interim financial report does not include all the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this interim financial report be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended December 31, 2022. However, this interim financial report provides selected significant disclosures that are required in the annual audited consolidated financial statements under IFRS.

2. Basis of presentation (continued)

(b) Basis of presentation (continued)

Except as described below, these condensed interim consolidated financial statements follow the same accounting policies and methods of application as the annual audited consolidated financial statements for the year ended December 31, 2022. The changes in accounting policies are also expected to be reflected in the Company's consolidated financial statements as at and for the year ending December 31, 2023.

(c) Functional and presentation currency

The functional currency of the Company is the Canadian dollar, and the presentation currency of these condensed interim consolidated financial statements is the U.S. dollar (“USD”); therefore, references to $ means USD and CAD$ are to Canadian dollars.

(d) Basis of measurement

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

(e) Basis of consolidation

These condensed interim consolidated financial statements include the financial statements of Liberty Defense Holdings, Ltd., and the entities controlled by the Company (its subsidiaries), as follows:

Subsidiary	Place of Incorporation	Functional Currency	Beneficial Interest
Liberty Defense Technologies, Inc.	United States	USD	100%
DrawDown Detection, Inc.	Canada	CAD	100%
DrawDown Technologies, Inc.	United States	CAD	100%

Control exists when the Company has power over an investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Company’s returns. All intercompany balances and transactions have been eliminated upon consolidation.

(f) Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS, requires management to select accounting policies and make estimates and judgments that may have a significant impact on the interim condensed consolidated financial statements. Estimates are continuously evaluated and are based on management’s experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The accounting judgements and estimates which have the most significant effect on these interim condensed consolidated financial statements were the same as those applied to the audited consolidated financial statements as at the period ended December 31, 2022.

Unaudited – (Expressed in U.S. dollars, unless otherwise stated and per share amounts)

3. Significant Accounting Policies

These condensed interim consolidated financial statements do not include all note disclosures required by IFRS for annual financial statements and, therefore, should be read in conjunction with the annual financial statements for the year ended December 31, 2022. In the opinion of management, all adjustments considered necessary for fair presentation of the Company’s financial position, results of operations and cash flows have been included. Operating results for the three months ended March 31, 2023, are not necessarily indicative of the results that may be expected for the year ending December 31, 2023.

4. Amounts Receivables, Prepaids and Deposits

As of March 31, 2023, the Company had $41,040 (March 31, 2022, – $9,580) in amounts receivables and $143,698 (March 31, 2021, – $179,193) in prepaids and deposits.

5. Inventory

The Company’s inventory consists of raw materials used to produce HEXWAVE units. The inventory estimated balance as at March 31, 2023 is $488,099 (December 31, 2022 $485,592).

As of March 31, 2023, the Company reclassified raw materials inventory in the amount of $14,848 (March 31, 2022 -$nil) to CIP, as part of property and equipment, to build NPI 0.5 units which are in process of being built to use in live scenarios to promote the product and collect data to further improve the product. As of March 31, 2023, the Company wrote-off $nil in obsolete spare parts to technology expense (March 31, 2022, $nil).

6. Property & Equipment

	Equipment	Right of Use Asset	Construction in Process	Total
Cost				
At December 31, 2021	$ 126,745	$ 772,312	$ -	$ 899,057
Derecognition right of use asset	-	-	-	-
Additions	96,209	-	88,715	769,783
At December 31, 2022	$ 222,954	$ 772,312	$ 88,715	$ 1,668,840
Derecognition right of use asset	-	-		-
Additions	-	407,170	28,676	435,846
At March 31, 2023	$ 222,954	$ 1,179,482	$ 117,391	$ 2,104,686
Accumulated Depreciation				
At December 31, 2021	$ 19,301	$ 111,728	$-	$ 137,080
Depreciation for the year	52,416	123,254	-	537,016
At December 31, 2022	$ 71,717	$ 234,982	$ -	$ 667,361
Depreciation for the year	15,243	39,865	-	181,827
At March 31, 2023	$ 86,960	$ 274,847	$ -	$ 849,188
Foreign exchange movement				
At December 31, 2022	$ -	$ 59	$ -	$ 59
At March 31, 2023	$ -	$ 59	$ -	$ 59
Net Book Value				
At December 31, 2022	$ 151,237	$ 537,389	$ 88,715	$ 1,001,538
At March 31, 2023	**$ 135,994**	**$ 904,694**	**$ 117,391**	**$ 1,255,557**

Unaudited – (Expressed in U.S. dollars, unless otherwise stated and per share amounts)

6. Property & Equipment (continued)

On December 28, 2022, the Company entered into a new office lease agreement in Atlanta, GA for a period of thirty-six months whereby an initial right-of-use asset will be recognized on the commencement date of February 1, 2023. As at March 31, 2023, the Company has approximately $63,988 in lease commitments relating to this lease.

On November 7, 2022, the Company leased additional office space within its current Boston location. The term of the additional lease is sixty-three months whereby an initial right-of-use asset will be recognized on the commencement date of February 1, 2023. As at March 31, 2023, the Company has approximately $456,792 in lease commitments relating to this lease.

7. Intangible Assets

The continuity of the Company's intangible assets is as follows:

		MIT licenses		Battelle license		Total
Balance, December 31, 2021	$	366,280	$	-	$	4,135,452
Additions		108,134		73,964		182,098
Amortization		(33,189)		(14,534)		(587,087)
Balance, December 31, 2022	$	441,225	$	59,430	$	3,730,463
Additions		203,324		-		203,324
Amortization		(12,445)		(7,752)		(158,636)
At March 31, 2023	**$**	**632,104**	**$**	**51,678**	**$**	**3,775,151**

Intangible assets included as MIT licenses and Battelle licenses include payments in connection to reimbursement of global patent filing costs and annual maintenance fees. Additionally, intellectual property was generated through the reverse take over ("RTO") transaction closed in March 2021 and became ready for use during the month of February 2022. The remaining useful life of the intangible assets are as follows: MIT license thirteen years, Battelle license two years, and intellectual property six years.

(a) MIT License Agreements

The Company, through its wholly owned subsidiary Liberty Defense Technologies Inc. ("LDT"), has entered into agreements with the Massachusetts Institute of Technology ("MIT") and MIT's Lincoln Laboratory ("MIT LL"), including an exclusive patent licence agreement between MIT and LDT dated September 10, 2018, as amended from time to time (the "Licence Agreement"), a technology transfer agreement between LDT and MIT LL, effective August 24, 2018 (the "Technology Transfer Agreement"), and a cooperative research and development agreement between LDT and MIT dated as of December 21, 2018 ("CRADA"), such agreements providing LDT with an exclusive licence for patents, design assets and MIT LL technical expertise related to active three-dimensional imaging technology that are the core technology behind the HEXWAVE product.

The obligations under the Technology Transfer Agreement and the CRADA have now been completed. Liberty may consider extending the CRADA (and therefore changing its scope) if it determines that additional MIT LL technical expertise related to active three-dimensional imaging technology is required. Pursuant to the License Agreement, LDT has been granted the exclusive rights to MIT's patent in "multistatic sparse array topology for FFT-based field imaging" (MIT Case No. l 8409L) (the "Patent"), which is being utilized in the development and application of the HEXWAVE product. The License Agreement is to be in effect until the expiration of the Patent, which is 12 years (December 2035). In granting LDT such patent rights, the Company shall pay MIT in addition to patent filling costs an annual maintenance fees as follows: 1) $20,000 for 2019 (paid); $50,000 for 2020 (paid); $60,000 for 2021 (paid); $100,000 for 2022 (paid); $200,000 for 2023 (payable), and $350,000 for 2024 and thereafter; and 2) a royalty of 5.7% of all future net sales of the Company. The Company shall also be required to achieve certain milestones.

Unaudited – (Expressed in U.S. dollars, unless otherwise stated and per share amounts)

7. **Intangible Assets** (continued)

(b) Battelle Memorial License Agreement

On March 22, 2021, the Company, through its wholly owned subsidiary DrawDown Detection, Inc. has entered into an agreement ("Battelle License Agreement") with Battelle Memorial Institute ("Battelle"), which operates the Pacific Northwest National Laboratory ("PNNL"), to license the millimeter wave-based, High-Definition Advanced Imaging Technology (HD-AIT) body scanner and shoe scanner technologies. The agreement, as amended from time to time, provides the Company with a three-year exclusive license for certain patents which will convert to a non-exclusive license for the remaining life of the patents. The agreement also provides the Company with non-exclusive license for certain patents for life.

As consideration for the Battelle License Agreement, the Company paid $30,000 upon signing and $30,000 six months after.

Under the Battelle License Agreement, the Company shall pay a five percent royalty on net sales and a twenty-five percent royalty on all sublicensing revenues if permitted under the contract guidelines. Any government entity that has revenues would not require a five percent royalty on the net sales. The Company is also required to pay a minimum royalty amount as follows, unless the agreement is terminated:

		Amounts
Year 2021 (paid)	$	50,000
Year 2022 (payable)		50,000
Year 2023		100,000
Year 2024 and each year after		200,000

The Company is obligated to achieve certain milestones in the next twelve months and reimburse Battelle for ongoing patenting expenses, as well as past patenting expenses in the total amount of $50,000, from which $25,000 has been paid and the balance remains payable.

8. Working Capital Loans

As of March 31, 2023, the Company received working capital loans in the amount of $719,207 (March 31, 2022, – $nil). These loans were received from related parties and were unsecured and non-interest bearing.

		Amounts
Balance December 31, 2021	**$**	**-**
Additions		438,117
Repayments		(438,117)
Balance December 31, 2022	**$**	**-**
Additions		719,207
Repayments		-
Balance March 31, 2023	**$**	**719,207**

9. Canada Emergency Business Account Loan ("CEBA")

As a result of closing the RTO transaction in March 2021, the Company acquired a CAD$40,000 Canada Emergency Business Account loan ("CEBA") which was received by Liberty on May 5, 2020, and carries a 0% interest rate per annum, however, the interest rate increases to a 5% per annum if the loan is not repaid in full on or before December 31, 2023 ("Term Period"). The original Term Period was through December 31, 2022, however in October 2022 the Term Period was extended to December 31, 2023. Additionally, in the event that the loan is not fully repaid by the Term Period, it could be extended from

Unaudited – (Expressed in U.S. dollars, unless otherwise stated and per share amounts)

9. Canada Emergency Business Account Loan ("CEBA") (continued)

January 1, 2024, to December 31, 2025 ("Extension Period"). The Company used the CEBA loan to help fund payroll, rent, and utilities under the appropriate guidelines in the loan agreements.

On December 31, 2020, the CEBA loan converted to a term facility and if the Company pays 75% of the aggregate amount advanced to the credit facility on or before the Term Period, the remaining 25% of the amount advanced will be forgiven.

The net present value of the CEBA loan as of March 31, 2023, is $27,060 (December 31, 2022, – $28,812) and is presented as a current liability. The Company also recognized an accretion expense of $(1,826) in connection to this loan during the three-month ended March 31, 2023 (March 31, 2022, – $700).

10. Leases

The Company's lease liabilities for the three months ended March 31, 2023 and December 1, 2022, are as follows:

		Right of use liability
Balance, December 31, 2021	$	746,965
Additions		-
Finance costs		53,603
Lease payments		(159,959)
Foreign exchange movement		(2,303)
Balance, December 31, 2022	$	638,306
Additions		407,170
Finance costs		18,828
Lease payments		(45,424)
Foreign exchange movement		13
Balance, March 31, 2023	$	1,018,893
Less current portion		191,418
Non-current lease liability	**$**	**827,475**

During the three months ended March 31, 2023, the Company recorded an expense of $23,317 (March 31, 2022, $22,083) related to short-term leases not meeting the criteria for capitalization under IFRS 16.

Minimum lease payments are as follows:

		March 31, 2023		**December 31, 2022**
Maturity analysis - contractual undiscounted cash flows				
One year or less	$	238,757	$	161,707
Two to five years		745,452		579,947
Six and thereafter		274,258		38,881
Total lease liabilities	$	1,258,467	$	780,535
Effect of discounting		(239,574)		(142,229)
Lease liabilities included in the statement of financial position		1,018,893		638,306
Current	$	191,418	$	123,911
Non-current	$	827,475	$	514,395

Unaudited – (Expressed in U.S. dollars, unless otherwise stated and per share amounts)

10. **Leases** (continued)

The Company's lease receivable for the three months ended March 31, 2023, and December 31, 2022, are as follows:

		Amount
Balance, December 31, 2021	$	48,834
Accretion		2,146
Payments received		(21,786)
Currency translation adjustment		(2,357)
Balance, December 31, 2022	$	26,837
Accretion		350
Payments received		(5,241)
Currency translation adjustment		11
Balance, March 31, 2023	$	21,957
Less current portion		20,221
Non-current lease receivable	**$**	**1,736**

As a result of the completion of the RTO in March 2021, the Company's head office was moved to Boston, MA. Therefore, the previous head office space was subleased until the expiry of the headlease (April 2024). The Company fair valued the lease receivable by present valuing the expected lease receivable payments over the life of the lease. The Company used an interest rate of 5.55%, the interest rate implicit in the lease. Minimum undiscounted sublease payments receivable is: $28,350 for the next twelve months and $2,363 thereafter.

11. Share Capital

(a) Common share transactions for the three months ended March 31, 2023

There were no transactions during the three months ended March 31, 2023.

(b) Common share transactions for the three months ended March 31, 2022

i) On March 3, 2022, a total of 123,300 share purchase warrants were exercised at CAD$0.40 per share for total proceeds of $39,101 (CAD$49,320). The fair value of the exercised warrants was $21,479 (CAD$27,126) and was transferred from the equity reserves and recorded against share capital. Also, an additional 123,300 common shares were issued for total proceeds of $19,479 (CAD$24,600).

ii) On March 17, 2022, the Company closed a brokered private placement for gross proceeds of $6,816,237 (CAD$8,624,994). The Company issued 26,136,345 units (each a "Unit") of the Company at a price of CAD$0.33 per Unit. Each Unit comprised of one common share and one-half share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share of the Company at a price of CAD$0.50 within a period of 24 months. The Company issued the agents 1,996,363 warrants ("broker warrants") with a fair value of $312,816 and paid cash commission of $520,642. Each broker warrant will be exercisable to purchase one common share for a period of 24 months at an exercise price of CAD$0.33. Additionally, the Company also incurred cash costs in connection to filling and legal expenses in the amount of $277,532 and paid a corporate finance fee of CAD$100,000 with common shares of the Company (303,030 common shares issued with a fair value of $79,029). All securities issued under the private placement are subject to a hold period expiring four months and one day after the closing date of the private placement.

Unaudited – (Expressed in U.S. dollars, unless otherwise stated and per share amounts)

12. Equity Reserves

(a) Share-based compensation

The Company maintains an Omnibus Equity Incentive Plan (the "Incentive Plan") which is comprised of stock options, restricted share units ("RSUs") and deferred share units ("DSUs"). The maximum number of common shares reserved for issuance, in the aggregate, under the Incentive Plan is 10% of the aggregate number of common shares issued and outstanding to be granted to directors, officers, employees, and consultants under certain restrictions.

Unless the Board decides, or the grant agreement specifies otherwise, the stock options will vest in two years with quarterly intervals following the date of such grant. The Board shall fix the exercise price of any stock option when such stock option is granted, which shall not be less than the closing price of the common shares on the Exchange on the day prior to the date of grant (the "Market Value"). A stock option shall be exercisable during a period established by the Board, which shall commence on the date of the grant and shall terminate no later than ten (10) years after the date of grant of the award or such shorter period as the Board may determine.

With respect to RSUs, the specific provisions of the RSU plan, eligibility, vesting period, terms of the RSUs and the number of RSUs granted are to be determined by the Board of Directors at the time of the grant.

With respect to PSUs, the specific provisions of the PSU plan, eligibility, vesting period, terms of the PSUs and the number of PSUs granted are to be determined by the Board of Directors at the time of the grant.

The continuity of the number of stock options issued and outstanding are as follows:

	Number of stock options	Weighted average exercise price
Outstanding, December 31, 2021	3,574,597	CAD$ 0.67
Cancelled	(605,000)	0.51
Granted	2,685,000	0.40
Outstanding, December 31, 2022	5,654,597	CAD$ 0.54
Cancelled	(185,000)	0.43
Granted	-	0.00
Outstanding, March 31, 2023	**5,469,597**	**CAD$ 0.55**

As at March 31, 2023, the number of stock options outstanding and exercisable, adjusted for the share consolidation were:

Unaudited – (Expressed in U.S. dollars, unless otherwise stated and per share amounts)

12. Equity Reserves (continued)

(a) Share-based compensation (continued)

	Outstanding			Exercisable
Expiry date	**Number of stock options**	**Exercise price**	**Remaining contractual life (years)**	**Number of stock options**
1-May-24	50,000	CAD$ 0.50	1.09	50,000
15-Jun-24	37,500	CAD$ 0.50	1.21	37,500
1-Jul-24	75,000	CAD$ 0.50	1.25	75,000
8-Jul-24	75,000	CAD$ 0.50	1.27	75,000
31-Jul-24	50,000	CAD$ 0.50	1.34	50,000
23-Aug-24	37,500	CAD$ 0.50	1.40	37,500
25-Sep-24	37,500	CAD$ 0.50	1.49	37,500
29-Sep-24	75,000	CAD$ 0.50	1.50	75,000
Apr 9 and Jul 2, 2024	137,097	CAD$ 4.96	1.26	137,097
7-Apr-26	1,550,000	CAD$ 0.50	3.02	1,550,000
10-Jun-26	100,000	CAD$ 0.50	3.20	87,500
28-Jul-26	125,000	CAD$ 0.55	3.33	93,750
28-Jul-26	90,000	CAD$ 0.65	3.33	67,500
1-Nov-26	465,000	CAD$ 0.46	3.59	290,625
14-Jan-27	100,000	CAD$ 0.36	3.79	50,000
26-Apr-27	1,845,000	CAD$ 0.41	4.07	691,875
26-May-24	250,000	CAD$ 0.50	1.16	93,750
26-May-27	125,000	CAD$ 0.38	4.16	46,875
16-Aug-27	185,000	CAD$ 0.29	4.38	46,250
21-Nov-27	60,000	CAD$ 0.22	4.65	7,500
Outstanding, March 31, 2023	**5,469,597**			**3,600,222**

During the three months ended March 31, 2023, the Company recognized stock-based compensation related to stock options in the amount of $81,378 (three months ended March 31, 2022 – $(5,746)).

The fair value of the stock options granted were estimated using the Black-Scholes option valuation model with the following weighted average assumptions:

	March 31, 2023	**December 31, 2022**
Risk-free interest rate	-	2.60%
Expected dividend yield	-	Nil
Stock price volatility	-	84.32%
Expected life (in years)	-	5 years
Share price on grant date	-	CAD$0.42
Fair value	-	CAD$0.28

(b) Restricted share units ("RSU")

Restricted share units granted for the three months ended March 31, 2023:

No RSUs were granted during the three months ended March 31, 2023.

Unaudited – (Expressed in U.S. dollars, unless otherwise stated and per share amounts)

12. Equity Reserves (continued)

(b) Restricted share units (“RSU”) (continued)

Restricted share units granted for the three months ended March 31, 2022:

i) On January 14, 2022, the Company granted 150,000 RSUs to an ex-employee; these RSUs shall be settled with common shares of the Company, are restricted until January 15, 2027, and vest at 100% on January 14, 2023.

The following table summarizes the movements in outstanding RSUs:

	Number of equity settled restricted share units	Weighted average market price
Outstanding, December 31, 2021	1,000,000	CAD$ 0.58
Granted	1,522,155	0.45
Exercised	(50,000)	0.32
Outstanding, December 31, 2022	**2,472,155**	**CAD$ 0.50**
Granted	0	0.00
Exercised	-	0.00
Outstanding, March 31, 2023	**2,472,155**	**CAD$ 0.50**

The estimated fair value of the equity settled RSUs granted as of March 31, 2023, was CAD$nil (December 31, 2022 – CAD$691,394) and will be recognized as an expense over the vesting period of the RSUs. The fair value of the equity settled RSUs as at the grant date was determined with reference to the market value of the common shares of the Company at the grant date.

On September 14, 2022, a total of 50,000 common shares of the Company with a fair value of $20,894 were issued in connection with the settlement of 50,000 RSUs.

During the three months ended March 31, 2022, the Company recognized stock-based compensation related to RSUs in the amount of $87,038 (three months ended March 31, 2022, – $118,083).

(c) Share purchase warrants

The continuity of the number of share purchase warrants outstanding is as follows:

	Warrants outstanding	Exercise Price
Outstanding, December 31, 2021	21,345,561	CAD$ 0.68
Issued	26,094,621	0.47
Expired	(399,502)	3.97
Exercised	(123,300)	0.60
Outstanding, December 31, 2022	46,917,380	**0.40**
Issued	-	0.00
Expired	(9,723,125)	0.58
Exercised	-	0.00
Outstanding, March 31, 2023	37,194,255	**0.53**

The fair value of the compensation warrants was estimated using the Black-Scholes option valuation model with the following weighted average assumptions:

Unaudited – (Expressed in U.S. dollars, unless otherwise stated and per share amounts)

12. Equity Reserves (continued)

(c) Share purchase warrants (continued)

	March 31, 2023	December 31, 2022
Risk-free interest rate	-	1.82%
Expected dividend yield	-	Nil
Stock price volatility	-	90.31%
Expected life (in years)	-	3.26 years
Share price on grant date	-	CAD$0.31
Fair value share purchase warrant	-	CAD$0.17

The outstanding number of share purchase warrants is as follows:

	Outstanding		
Expiry date	Number of warrants	Exercise price	Remaining contractual life (years)
17-Mar-24	2,912,734	CAD$0.50	0.96
17-Jun-23	7,130,000	CAD$0.75	0.21
17-Jun-23	1,056,900	CAD$0.50	0.21
17-Mar-24	13,068,172	CAD$0.50	0.96
17-Mar-24	1,996,363	CAD$0.33	0.96
27-Oct-27	1,446,736	CAD$0.28	4.58
27-Oct-27	9,345,850	CAD$0.50	4.58
27-Oct-27	237,500	CAD$0.50	4.58
	37,194,255		

(d) Performance Shares

On March 17, 2021, Liberty deposited into escrow, and held in escrow, Operational Performance Shares ("OPS") and Capital Market Performance Shares ("CMPS") for certain directors, officers, and consultants of the Company upon the Company achieving certain performance milestones. Once these milestones were achieved the shares would be released. These performance shares included 2,000,000 of OPS and 8,773,000 of CMPS. In order to fair value these performance shares, management estimated the probability that the Company would issue the performance shares. Therefore, the fair value of these performance shares was based on the probability analysis and the share market price at grant date of CAD$0.40 per share.

Operational Performance Shares

During the three months ended March 31, 2023, none of the 2,000,000 OPS have been issued as neither of the two milestones have been met. The estimated fair value of the OPS is CAD$800,000 with an estimated vesting period between March 2023 and September 2023. During the three months ended March 31, 2023, the Company recorded stock based compensation in connection to OPS in the amounts of $52,170 (CAD$71,458) (March 31, 2022, – $255,889 (CAD$324,185)).

Capital Market Performance Shares

During the year ended December 31, 2021, the Company issued 2,193,250 from the total of 8,773,000 CMPS as one of the established milestones was met. During the year ended December 31, 2022, an additional 6,579,750 CMPS were issued as the final three milestones were met. The Company set a total of four milestones with an equal number of CMPS to be issued when the Company achieves such milestones. The Company estimated a probability of the number of CMPS it will issue in addition to an estimated vesting period between June 2021, and September 2022. The total estimated fair value of the CMPS

Unaudited – (Expressed in U.S. dollars, unless otherwise stated and per share amounts)

12. Equity Reserves (continued)

(d) Performance Shares (continued)

was CAD$3,509,200. At the year ended December 31, 2022, the CMPS were fully accrued for. During the three months ended March 31, 2023, the Company recorded stock-based compensation in connection to CMPS in the amount of $nil (CAD $nil) (March 31, 2022, – $56,404 (CAD$71,458)).

	Number of otstanding performance shares	Weighted average price
Outstanding, December 31, 2021	8,579,750	CAD$ 0.40
Released from escrow	(6,579,750)	0.40
Outstanding, December 31, 2022	**2,000,000**	**CAD$ 0.40**
Released from escrow	-	0.00
Outstanding, March 31, 2023	**2,000,000**	**CAD$ 0.40**

13. Loss Per Share

Basic loss per share amounts is calculated by dividing the net loss for the year by the weighted average number of common shares outstanding during the year.

		Three months ended March 31, 2023		2022
Loss attributable to common shareholders	$	(2,634,628)	$	(2,501,396)
Weighted average number of shares		116,839,406		68,058,999
Basic and diluted loss per share	$	(0.02)	$	(0.04)

The Company incurred net losses for the three months ended March 31, 2023, and 2022, therefore all outstanding stock options share purchase warrants, restricted share units, and performance share units, if any, have been excluded from the calculation of diluted loss per share since the effect would be anti-dilutive.

14. Revenue

Revenue recognition during the three months ended March 31, 2023, relates to the contract revenue from the TSA and PNNL.

The company recognized during the three months ended March 31, 2023, $490,000 (three months ended March 31, 2022, - $nil.), in revenue from contract awards. As at March 31, 2023, accounts receivable for work completed on contract awards was $21,571 (March 31, 2022, - $nil). The balance of the receivable is from the federal government and is not subject to significant collection risk. As at March 31, 2023, the company has not recognized any deferred revenue.

As at March 31, 2023, the Company has recognized $nil (March 31, 2022, $nil) in revenue related to the sale of our Hexwave product. However, the Company has a backlog of contracted sales that have not yet been recognized as revenue but will be recognized in future periods as performance obligations are met. It is estimated that these commitments will be recognizes as revenue under the following timelines:

Unaudited – (Expressed in U.S. dollars, unless otherwise stated and per share amounts)

14. Revenue (continued)

Expected Revenue		Year ended December 31,		
		2023		2024
TSA On-Person Screening Capability Program	$	294,468	$	-
Battelle Contract Award		163,562		-
TSA Contract Award HD-AIT		1,580,000		657,905
NPI 0.5 Heaxwave		495,000		-
Total backlog	**$**	**2,533,030**	**$**	**657,905**

15. Contract Awards

During the three months ended March 31, 2023, the Company recognized total revenue of $490,000 (three months ended March 31, 2022, $nil) recorded in revenue. Future revenues in connection with these contracts will be recognized as performance obligations are met. It is estimated that future revenues will be recognized under the same basis following these timelines:

	Three Months Ended March 31,			Year ended December 31,		
Contract Award Revenue		2023		2023		2024
TSA On-Person Screening Capability Program	$	21,571	$	272,897	$	-
Battelle Contract Award		-		163,563		-
TSA Contract Award HD-AIT		490,000		1,090,000		657,905
Total estimated revenues	**$**	**511,571**	**$**	**1,526,460**	**$**	**657,905**

(a) Battelle HD-AIT Shoe Scanner

On May 12, 2022, the Company received a contract award for $212,697 from Battelle, Pacific Northwest Division's Contract. The contract award is to work hand in hand with PNNL to develop the High Definition – Advanced Imaging Technology ("HD-AIT") Retrofit Kits. With developing the HD-AIT Retrofit Kits, the Battelle Memorial License and patent will be utilized in the HD-AIT technology development. During the three months ended March 31, 2023, as part of the contract award the Company received $nil and had a receivable of $nil (March 31, 2022, – $nil). As part of the terms of the contract award the Company is required to submit monthly invoices as follows:

Battelle HD-AIT Shoe Scanner		Amounts
Year 2022		
Award payments received	$	35,194
Award payments received		13,940
Year 2023		
Janaury		-
February		-
March		-
April		-
May		30,000
June		43,401
July		30,000
August		30,000
September		30,161
Total	**$**	**212,697**

The remaining $163,563 contract award has not been recognized as a receivable as the timing of the receipt of these funds is not virtually certain. The Company will only recognize the asset when receipt is virtually certain.

Unaudited – (Expressed in U.S. dollars, unless otherwise stated and per share amounts)

15. Contract Awards (continued)

(b) TSA HD-AIT Upgrade

On September 30, 2022, the Company received a contract award for $1,747,905 from Transportation Security Administration ("TSA") for the High Definitions – Advanced Imaging Technology (HD-AIT) Wide Band Upgrade Kit. The contract award is to develop a series of millimeter-wave imaging system prototypes to advance and upgrade the current state-of-the-art imaging technology for the current passenger security screening applications. The project will be performed over a period of eighteen months, and invoices will be issued once the milestones are reached based on the agreed upon timeline. During the three months ended March 31, 2023, the Company received $490,000 (March 31, 2022, – $nil). The Company is required to submit quarterly invoices as follows:

TSA HD-AIT Upgrade		Amounts
Year 2023		
Milestone 1 (Q1 2023) (payment received)	$	240,000
Milestone 2 (Q2 2023) (payment received)		250,000
Milestone 3 (Q3 2023)		250,000
Milestone 4a (Q4 2023)		175,000
Milestone 4b (Q4 2023)		175,000
Year 2024		
Milestone 5 (Q1 2024)		300,000
Milestone 6 (Q2 2024)		357,905
Total	**$**	**1,747,905**

16. Collaboration Agreements

(a) Transportation Security Administration's (TSA) On-Person Screening Capability Program

On October 20, 2021, the Company received a contract award for $500,000 from TSA as part of the TSA On-Person Screening Capability Program. The contract award is for the demonstration and evaluation of the Company's HEXWAVE technology and its expanded capabilities for screening aviation workers to enhance detection and throughput performance. In order for the Company to draw down on this award, Liberty is required to have its HEXWAVE technology working at certain locations to collect and share data with TSA on identified threats to further develop algorithms to improve the recognition of threats with desire probability of detection. During the three months ended March 31, 2023, the Company received $33,313 in connection with this award and had a receivable of $21,571 which have been as a reduction of related costs (March 31, 2022, – $64,528). As part of the terms of the contract award the Company is required to submit quarterly invoices as follows:

TSA On-Person Screening Capability Program Contract Award		Amounts
Year 2022		
Quarter 1 (payment received)	$	64,528
Quarter 2 (payment received)		119,082
Quarter 3 (payment received)		10,180
Quarter 4 (payment received)		33,313
Year 2023		
Quarter 1 (payment receivable)		21,571
Quarter 2		85,450
Quarter 3		64,857
Quarter 4		101,019
Total	**$**	**500,000**

The remaining amount of $251,326 from the contract award has not been recognized as a receivable as the timing of the receipt of these funds is not virtually certain. The Company will only recognize the asset when receipt is virtually certain.

Unaudited – (Expressed in U.S. dollars, unless otherwise stated and per share amounts)

17. Related Party Transactions

The Company's related parties consist of the Company's directors, officers and companies associated with them including 1214852 B.C. LTD., a company where Omar Garcia, the Chief Financial Officer is a shareholder and Nicole Ridgedale Communications, a company owned by Nicole Ridgedale, a direct family member of one of the directors.

Compensation of key management personnel:

Key management personnel include members of the Board, the Chief Executive Officer, Chief Financial Officer, and Chief Technology Officer. The net aggregate compensation paid, or payable and related party transactions are shown as follows:

		Three months ended March 31, 2023		2022
Short-term benefits	$	280,198	$	235,862
Share-based compensation		159,802		380,164
Consulting services (1)		20,392		51,385
	$	**460,393**	**$**	**667,411**

(1) Includes fees paid or payable to 1214852 B.C. LTD

During the three months ended March 31, 2023, the Company had a balance payable of $311,778 to related parties (March 31, 2022, – $33,000). This payable balance includes accounts payable and accrued liabilities relating to consulting services from directors, officers, or their related companies, included in compensation of key management personnel. These related party balances are unsecured, non-interest bearing and have no specific terms of settlement.

During the three months ended March 31, 2023, the Company received working capital loans (Note 9) in the amount of $719,207 (during the year ended December 31, 2022- $438,117) from directors, officers, or their related parties. During the year ended December 31, 2022, all of these working capital loans were paid in full and the outstanding balance at December 31, 2022 is $nil. As of March 31, 2023, the outstanding balance is $719,207.

During the three months ended March 31, 2023, Nicole Ridgedale Communications incurred $20,392 in stock-based compensation and consulting services (three months ended March 31, 2022, - $25,337). These related party balances are unsecured, non-interest bearing and have no specific terms of settlement.

18. Financial Instruments

As of March 31, 2023, the Company's financial instruments comprise cash, amounts receivables, accounts payable and accrued liabilities and the CEBA loan. The fair values of cash, amounts receivables, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity. The carrying amount of the CEBA loan approximates fair value as it is discounted using a market rate of interest.

Fair value of financial instruments:

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The three levels of the fair value hierarchy are:

· Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
· Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly
· Level 3 – Inputs that are not based on observable market data.

Unaudited – (Expressed in U.S. dollars, unless otherwise stated and per share amounts)

18. Financial Instruments (continued)

The Company's activities expose it to financial risks of varying degrees of significance, which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are credit risk, liquidity risk and currency risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

a) 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, including accounts receivable terms. The Company's cash are held through large Canadian, international and foreign national financial institutions. The Company mitigates this risk by transacting only with reputable financial institutions. The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. To mitigate this risk, the Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Company ensures that sufficient funds are raised from equity offerings or debt financings to meet its operating requirements, after considering existing cash balances, expected exercise of share purchase warrants, and stock options. The Company's ability to continue as a going concern involves significant judgements and estimates while determining forecasted cashflows and is dependent on the Company's ability to obtain financing (Note 1). As at December 31, 2022, the Company had cash of $677,473 (December 31, 2021 - $1,341,573) to settle current liabilities of $1,628,657 (December 31, 2021 - $891,862). Most of the Company's financial liabilities have contractual maturities of 30 days or less and are subject to normal trade terms.

c) Market risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Significant market risks to which the Company is exposed are as follows:

Interest rate risk

Interest rate risk arises from changes in market rates of interest that could adversely affect the Company. The Company currently has no interest-bearing financial instruments other than cash, so its exposure to interest rate risk is not significant.

Foreign currency risk

The Company is exposed to currency risk by having balances and transactions in currencies that are different from its functional currency. The Company operates in foreign jurisdictions, which uses the U.S. dollar. The Company does not use derivative instruments to reduce upward, and downward risk associated with foreign currency fluctuations.

		Amounts US dollars
Financial assets denominated in foreign currencies	$	20,490
Financial liabilities denominated in foreign currencies		(577,245)
Net exposure	**$**	**(556,755)**

Unaudited – (Expressed in U.S. dollars, unless otherwise stated and per share amounts)

18. Financial Instruments (continued)

c) Market risk (continued)

A 10% change in the U.S. dollar exchange rate relative to the Canadian dollar would change the Company's comprehensive loss by $55,676.

Price risk

The Company is exposed to price risk with respect to equity prices. 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.

The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

19. Capital Risk Management

The Company manages common shares, stock options, performance share units, restricted share units, and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its products and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets, or adjust the amount of cash on hand.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

20. Geographic Information

The Company operates in one reportable operating segment, being the research and development of new technology for the security industry.

Geographic segmentation of assets and liabilities are as follows:

	Canada	United States	Total
Non-current assets			
Property & equipment	$ -	$ 1,255,557	$ 1,255,557
Intangible assets	-	3,775,151	3,775,151
Lease receivable	1,736	-	1,736
Balance, March 31, 2023	**$ 1,736**	**$ 5,030,708**	**$ 5,032,444**
Non-current liabilities			
Lease liability	$ -	$ 827,475	$ 827,475
Balance, March 31, 2023	**$ -**	**$ 827,475**	**$ 827,475**

Unaudited – (Expressed in U.S. dollars, unless otherwise stated and per share amounts)

20. Geographic Information (continued)

		Canada		United States		Total
Non-current assets						
Property & equipment	$	-	$	1,001,538	$	1,001,538
Intangible assets		-		3,730,463		3,730,463
Lease receivable		6,896		-		6,896
Balance, December 31, 2022	**$**	**6,896**	**$**	**4,732,001**	**$**	**4,738,897**
Non-current liabilities						
Lease liability	$	-	$	514,395	$	514,395
Balance, December 31, 2022	**$**	**-**	**$**	**514,395**	**$**	**514,395**

21. Subsequent Events

a) On April 14, 2023, the Company closed the first tranche of a non-brokered private placement for gross proceeds of CAD$1,341,412. The Company issued 6,707,061 units (each a “Unit”) of the Company at a price of CAD$0.20 per Unit. Each Unit comprised of one common share and one-half share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share of the Company at a price of CAD$0.30 within a period of 24 months. The Company paid the agents 215,250 broker warrants. Each broker warrant will be exercisable to purchase one common share for a period of 24 months at an exercise price of CAD$0.30. All securities issued under the private placement are subject to a hold period expiring four months and one day after the closing date of the private placement.

b) On May 9, 2023, the Company closed the second trance of a non-brokered private placement for gross proceeds of CAD$397,000. The Company issued 1,985,000 units (each a “Unit”) of the Company at a price of CAD$0.30 per Unit. Each Unit comprised of one common share and one-half share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share of the Company at a price of CAD$0.30 within a period of 24 months. The Company paid the agents 138,950 broker warrants. Each broker warrant will be exercisable to purchase one common share for a period of 24 months at an exercise price of CAD$0.30. All securities issued under the private placement are subject to a hold period expiring four months and one day after the closing date of the private placement.