

SPECTRA PRODUCTS INC.
UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED JUNE 30, 2023 AND 2022

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NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED 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 interim condensed financial statements of Spectra Products Inc. 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.

SPECTRA PRODUCTS INC.**Unaudited Interim Condensed Statements of Financial Position
June 30, 2023 and December 31, 2022**

	Note	June 30 2023	December 31 2022
ASSETS			
Current			
Cash and cash equivalents		\$ 1,124,525	\$ 1,073,067
Investments	5	129,388	183,126
Accounts Receivable	6	378,204	369,515
Inventories	7	283,626	227,472
Prepaid expenses		31,769	27,477
		<u>1,947,512</u>	<u>1,880,657</u>
Loan Receivable	8	19,860	20,316
Deferred Tax Asset	18	122,956	187,253
Right-of-use Asset	9	265,965	295,517
Total Assets		\$ 2,356,293	\$ 2,383,743
LIABILITIES			
Current			
Accounts payable and accrued charges	11	\$ 167,100	\$ 302,592
Lease liability - current portion	12	58,634	55,876
		<u>225,734</u>	<u>358,468</u>
Lease Liability	12	250,351	280,833
		<u>476,085</u>	<u>639,301</u>
SHAREHOLDERS' EQUITY			
Share Capital	13	774,953	791,261
Contributed Surplus	14	5,274,096	5,274,096
Equity Reserve	15	258,910	258,910
Accumulated Other Comprehensive Loss		(137,340)	(90,722)
Accumulated Deficit		(4,290,411)	(4,489,103)
Total Shareholders' Equity		1,880,208	1,744,442
Total Liabilities and Shareholders' Equity		\$ 2,356,293	\$ 2,383,743

APPROVED ON BEHALF OF THE BOARD

"Andrew J. Malion"

Chairman

"Aidan Bolger"

Director

SPECTRA PRODUCTS INC.

Unaudited Interim Condensed Statements of Changes in Shareholders' Equity
Six months ended June 30, 2023 and 2022

	Share capital	Contributed surplus	Equity reserve	Accumulated Other comprehensive income (OCI)	Accumulated deficit	Total shareholders' equity
Balance, January 01, 2023	\$ 791,261	\$ 5,274,096	\$ 258,910	\$ (90,722)	\$ (4,489,103)	\$ 1,744,442
Total comprehensive income	-	-	-	(46,618)	198,692	152,074
Purchase of common shares for cancellation	(16,308)	-	-	-	-	(16,308)
Balance, June 30, 2023	\$ 774,953	\$ 5,274,096	\$ 258,910	\$ (137,340)	\$ (4,290,411)	\$ 1,880,208
	Share capital	Contributed surplus	Equity reserve	Other comprehensive	Accumulated deficit	shareholders' equity
Balance, January 01, 2022	\$ 937,719	\$ 5,232,866	\$ 172,140	\$ (274)	\$ (4,579,233)	\$ 1,763,218
Total comprehensive income	-	-	-	(46,495)	77,742	31,247
Purchase of common shares for cancellation	(49,100)	-	-	-	-	(49,100)
Balance, June 30, 2022	\$ 888,619	\$ 5,232,866	\$ 172,140	\$ (46,769)	\$ (4,501,491)	\$ 1,745,365

SPECTRA PRODUCTS INC.

Unaudited Interim Condensed Statements of Comprehensive Income

Three and six months ended June 30, 2023 and 2022

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Sales	\$ 655,347	\$ 333,976	\$ 1,188,669	\$ 690,537
Cost of Sales	355,373	156,080	632,474	342,967
Gross Profit	<u>299,974</u>	<u>177,896</u>	<u>556,195</u>	<u>347,570</u>
Expenses				
Administrative costs (note 17)	89,157	84,528	185,691	177,411
Selling costs (note 17)	36,676	22,924	69,613	48,341
Finance costs	2,432	1,284	4,970	2,617
Amortization	14,776	6,520	29,552	13,040
	<u>143,041</u>	<u>115,256</u>	<u>289,826</u>	<u>241,409</u>
Other Income (Loss)				
Foreign exchange gain (loss)	(4,846)	-	(9,070)	-
Interest income (note 17)	8,469	-	12,810	-
	<u>3,623</u>	<u>-</u>	<u>3,740</u>	<u>-</u>
Income Before Taxes	160,556	62,640	270,109	106,161
Deferred income taxes (note 18)	42,574	16,894	71,417	28,419
Net Income	<u>117,982</u>	<u>45,746</u>	<u>198,692</u>	<u>77,742</u>
Other Comprehensive Income:				
<i>Items that will not be reclassified through profit and loss:</i>				
Realized gains on investments net of tax of \$nil (2022 - 6mth \$3,046)	-	-	-	19,941
Unrealized gain (loss) on investments net of deferred tax of 3mth - \$(83); 6mth - \$7,120 (2022 - 3mth \$7,226; 6mth \$10,148)	543	(47,308)	(46,618)	(66,436)
	<u>543</u>	<u>(47,308)</u>	<u>(46,618)</u>	<u>(46,495)</u>
Total Comprehensive Income	<u>\$ 118,525</u>	<u>\$ (1,562)</u>	<u>\$ 152,074</u>	<u>\$ 31,247</u>
Comprehensive Income per Share - Basic & Diluted	<u>\$ 0.01</u>	<u>\$ (0.00)</u>	<u>\$ 0.01</u>	<u>\$ 0.00</u>
Weighted Average Number of Common Shares				
Outstanding during the year - basic	14,606,406	15,168,994	14,628,773	15,168,994
Outstanding during the year - diluted	16,006,406	15,828,994	16,028,773	15,828,994

SPECTRA PRODUCTS INC.

Unaudited Interim Condensed Statements of Cash Flows Three and six months ended June 30, 2023 and 2022

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Cash Flows from Operating Activities				
Total comprehensive income	\$ 118,525	\$ (1,562)	\$ 152,074	\$ 31,247
Adjustments for:				
Deferred taxes	42,574	16,894	71,417	28,419
Finance costs	2,432	1,284	4,970	2,617
Loss (gain) on investments (net of deferred tax)	(543)	47,308	46,618	46,495
Foreign exchange gain (loss) on long-term loan receivable	440	(600)	456	-
Amortization	14,776	6,520	29,552	13,040
	<u>178,204</u>	<u>69,844</u>	<u>305,087</u>	<u>121,818</u>
Changes in:				
Accounts receivable	(83,541)	(5,436)	(8,689)	46,032
Loan receivable	-	-	-	(450)
Inventories	(48,741)	(49,376)	(56,154)	(72,657)
Prepaid expenses	11,124	11,712	(4,292)	(22,038)
Accounts payable and accrued charges	83,179	(9,386)	(135,492)	(38,067)
	<u>(37,979)</u>	<u>(52,486)</u>	<u>(204,627)</u>	<u>(87,180)</u>
Cash used in operating activities:				
Interest paid	(2,432)	(1,284)	(4,970)	(2,617)
Net Cash Provided by Operating Activities	<u>137,793</u>	<u>16,074</u>	<u>95,490</u>	<u>32,021</u>
Cash Flows from Investing Activities				
Purchase of investments		(12,618)		(12,618)
Proceeds from sale of investments	-	-	-	55,544
Net Cash Provided by (Used in) Investing Activities	<u>-</u>	<u>(12,618)</u>	<u>-</u>	<u>42,926</u>
Cash Flows from Financing Activities				
Repayment of lease liability	(13,915)	(6,261)	(27,724)	(12,473)
Purchase of common shares for cancellation	(16,308)	(37,100)	(16,308)	(49,100)
Net Cash Used in Financing Activities	<u>(30,223)</u>	<u>(43,361)</u>	<u>(44,032)</u>	<u>(61,573)</u>
Net Increase (Decrease) in Cash	107,570	(39,905)	51,458	13,374
Cash and Cash Equivalents - Beginning of Period	1,016,955	930,826	1,073,067	877,547
Cash and Cash Equivalents - End of Period	<u>\$ 1,124,525</u>	<u>\$ 890,921</u>	<u>\$ 1,124,525</u>	<u>\$ 890,921</u>
Cash	\$ 424,525	\$ 890,921	\$ 424,525	\$ 890,921
Cash equivalents	700,000	-	700,000	-
Cash and Cash Equivalents	<u>\$ 1,124,525</u>	<u>\$ 890,921</u>	<u>\$ 1,124,525</u>	<u>\$ 890,921</u>

SPECTRA PRODUCTS INC.
Notes to Unaudited Interim Condensed Financial Statements
June 30, 2023 and December 31, 2022

1 Nature of Business and Basis of Presentation

Nature of Business

Spectra Products Inc. ("Spectra") or (the "Company") is a manufacturing and marketing company operating in one market segment - bus and truck transportation safety equipment. The Company manufactures and markets brake and wheel-end monitoring equipment as an after-market product through transportation dealers, distributors and direct sales to fleet operators. The address of the Company is Unit 2, 41 Horner Avenue, Etobicoke, Ontario M8Z 4X4.

These unaudited interim condensed financial statements were authorized for issuance by the Company's Board of Directors on August 18, 2023.

The unaudited interim condensed financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair values as described in the accounting policies.

Presentation and Functional Currency

The unaudited interim condensed financial statements are presented in Canadian dollars, which is the Company's functional currency.

2 Revision of Income Taxes Note Disclosure

The information presented for the comparative period in Note 18 Income taxes has been revised, compared to the disclosures originally issued by the Company in its unaudited interim condensed financial statements for the three and six months ended June 30, 2022. The revised information pertains solely to the note disclosure of the Company's income tax provision and deferred tax asset as at and for the three and six months ended June 30, 2022.

3 Summary of Significant Accounting Policies

Basis of Presentation

These financial statements were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") on a basis consistent with the accounting policies disclosed in the annual audited financial statements for the year ended December 31, 2022, with the exception of those stated below.

The notes presented in these unaudited interim condensed financial statements include in general only significant changes and transactions occurring since the Company's last year end, and are not fully inclusive of all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements. These unaudited interim condensed financial statements should be read in conjunction with the annual audited financial statements, including the notes thereto, for the year ended December 31, 2022.

a) Cash and cash equivalents

Cash comprises deposits held in financial institutions, and cash equivalents comprise short-term investments with a maturity of three months or less. All are stated at their fair value.

4 Capital Structure

The capital structure of the Company consists principally of shareholders' equity comprised of deficit, contributed surplus, equity reserve, other comprehensive income and share capital. The Company's primary uses of capital are to finance working capital requirements and capital expenditures, which are currently funded from internally generated cash flows. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth and to deploy capital to provide an appropriate return on investment to its shareholders.

SPECTRA PRODUCTS INC.
Notes to Unaudited Interim Condensed Financial Statements
June 30, 2023 and December 31, 2022

4 Capital Structure (cont'd)

The components of capital are as follows:

	June 30, 2023	December 31, 2022
Share capital	\$ 774,953	\$ 791,261
Contributed surplus	5,274,096	5,274,096
Equity reserve	258,910	258,910
Accumulated other comprehensive loss	(137,340)	(90,722)
Accumulated deficit	(4,290,411)	(4,489,103)
	\$ 1,880,208	\$ 1,744,442

5 Investments

Investments comprise marketable securities and a subordinated convertible promissory note. The promissory note is stated at fair value, being the estimated recoverable amount of the investment.

	June 30, 2023	December 31, 2022
Marketable securities	\$ 129,388	\$ 183,126
Subordinated convertible promissory note	-	-
	\$ 129,388	\$ 183,126

6 Accounts Receivable

	June 30, 2023	December 31, 2022
Trade receivables	\$ 344,614	\$ 350,165
Government remittances receivable	28,502	18,891
Interest receivable (note 17)	5,088	459
	\$ 378,204	\$ 369,515

At June 30, 2023 based on the Company's experience, there was \$nil allowance for doubtful accounts (December 31, 2022 - \$nil).

7 Inventories

	June 30, 2023	December 31, 2022
Finished goods	\$ 224,230	\$ 119,274
Raw materials	59,396	108,198
	\$ 283,626	\$ 227,472

8 Loan Receivable

On July 19, 2021, the Company advanced USD \$15,000 to the Company's President. This loan was due for repayment on July 19, 2022 together with interest at 5%. In 2022, the maturity date of the loan was extended by the Board of Directors to July 19, 2024. At June 30, 2023, the Canadian dollar converted value of this loan is \$19,860 (December 31, 2022 - \$20,316).

9 Right-of-use Asset

	June 30, 2023	December 31, 2022
Cost	\$ 443,809	\$ 443,809
Less: Accumulated amortization	(177,844)	(148,292)
	\$ 265,965	\$ 295,517

SPECTRA PRODUCTS INC.
Notes to Unaudited Interim Condensed Financial Statements
June 30, 2023 and December 31, 2022

10 Intangible Assets – Product Rights

	June 30, 2023	December 31, 2022
Cost	\$ 25,000	\$ 25,000
Less: Accumulated amortization	(25,000)	(25,000)
	<u>\$ -</u>	<u>\$ -</u>

The product rights are currently in use by the Company.

11 Accounts Payable and Accrued Charges

	June 30, 2023	December 31, 2022
Trade and other payables	\$ 136,956	\$ 227,801
Accrued expenses (note 17)	23,750	65,244
Government remittances payable	6,394	9,547
	<u>\$ 167,100</u>	<u>\$ 302,592</u>

12 Lease Liability

The Company has renewed its premises lease effective January 1, 2023 which continues for five years until December 31, 2027. The present value of the lease liability has been calculated using the Company's incremental borrowing rate of 3.10% per annum.

	June 30, 2023	December 31, 2022
Lease liability	\$ 308,985	\$ 336,709
Less: current portion	(58,634)	(55,876)
Long-term portion	<u>\$ 250,351</u>	<u>\$ 280,833</u>

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Principal repayment of lease liability	\$ 13,915	\$ 6,261	\$ 27,724	\$ 12,473
Interest expense	2,432	1,284	4,970	2,617
Total lease payments made	<u>\$ 16,347</u>	<u>\$ 7,545</u>	<u>\$ 32,694</u>	<u>\$ 15,090</u>

13 Share Capital

Authorized

Unlimited	common shares with no par value
Unlimited	first, second, third and fourth preferred shares with no par value to be issued in one or more series, redeemable, with rights, privileges, restrictions and conditions to be determined by the Board of Directors upon issuance
540,000	second preferred shares Series 1, with no par value, non-cumulative dividends of 10% per annum, redeemable at the stated value, non-voting

	June 30, 2023	December 31, 2022
Issued and outstanding		
14,561,395 (2022 – 14,650,895) common shares	<u>\$ 774,953</u>	<u>\$ 791,261</u>

SPECTRA PRODUCTS INC.

Notes to Unaudited Interim Condensed Financial Statements

June 30, 2023 and December 31, 2022

13 Share Capital (cont'd)

As of March 23, 2023, the TSX Venture Exchange accepted the Company's Notice of Intention to make a Normal Course Issuer Bid ("NCIB") to purchase for cancellation up to a maximum of 732,545 common shares of the capital of the Company from time to time, as the Company considers appropriate. The maximum number of common shares to be purchased pursuant to the NCIB represents 5.0% of the Company's 14,650,895 common shares outstanding as at the date above. The NCIB commenced on March 27, 2023 and will terminate on March 26, 2024 or at such earlier time as the NCIB is completed or terminated at the option of the Company. In the six months ended June 30, 2023, the Company purchased 89,500 common shares for a total cost of \$16,308. This has been accounted for as a reduction to share capital. Refer to note 20 for additional share repurchases subsequent to the date of these unaudited interim condensed financial statements.

On October 31, 2022, the Company conducted a share consolidation whereby every five pre-consolidation shares were consolidated to one post-consolidation share. The number of shares disclosed in these unaudited interim condensed financial statements for any dates prior to the consolidation has been amended to reflect this share consolidation. During the course of the year ended December 31, 2022, the Company purchased for cancellation a total of 771,100 shares (on a post-consolidated basis) for a total cost of \$146,458, including \$7,100 of transaction costs. This share repurchase was in accordance with the Company's Notice of Intention to make Normal Course Issuer Bid, as accepted by the TSX Venture Exchange on March 4, 2022.

14 Contributed Surplus

Contributed surplus consists of the equity portion of formerly convertible preferred shares, the value attributed to unexercised warrants, the value attributed to unexercised and forfeited stock options, and the transfer of five million dollars from the stated capital account of the common shares to the contributed surplus account.

15 Stock Options

The Company has a stock option plan for its directors, officers, employees and consultants. The maximum number of shares reserved for issuance under the plan is equal to 10% of the issued and outstanding common shares.

The following table represents all of the Company's stock options granted, exercised, forfeited, expired and outstanding during the six months ended June 30, 2023 and June 30, 2022. All options and exercise prices have been adjusted for the share consolidation described in note 13.

	2023		2022	
		Exercise Price	Number of Options	Exercise Price
Balance, Beginning of Period	1,400,000	\$ 0.16	660,000	\$ 0.25
Granted		-	-	-
Forfeited		-	-	-
Balance, End of Period	1,400,000	\$ 0.16	660,000	\$ 0.25

On November 4, 2022, the Company granted 900,000 stock options to directors, which give the holder the right to acquire shares at \$0.11 per share. They vested immediately upon issuance and are exercisable on or before November 4, 2027.

The fair value of stock options granted was estimated as at the grant date using the Black-Scholes option pricing model with the following assumptions:

	2022
Risk-free interest rate	3.67%
Expected term of options	5 years
Volatility	166%
Stock price	\$0.15
Fair value per option	\$0.11

SPECTRA PRODUCTS INC.
Notes to Unaudited Interim Condensed Financial Statements
June 30, 2023 and December 31, 2022

15 Stock Options (cont'd)

For the six months ended June 30, 2023, stock-based compensation expense was \$nil (2022 - \$nil). Stock-based compensation expense for 2023 would be recorded in the statement of comprehensive income as administrative costs with a corresponding credit to equity reserve.

As at June 30, 2023, the average remaining contractual life of outstanding options was approximately 3.1 years (December 31, 2022 – 3.6 years). A total of 500,000 options (December 31, 2022 - 500,000 options) are exercisable at a price of \$0.25 and a total of 900,000 options (December 31, 2022 - 900,000) are exercisable at a price of \$0.11.

16 Financial Instruments Fair Value and Risks

a) Fair Value

The carrying value of the Company’s financial instruments consisting of cash and cash equivalents, loan and accounts receivable and accounts payable and accrued charges approximates their fair value due to their immediate or short-term maturity. Investments are measured at fair value using Level 1 and Level 3 inputs described above.

Reconciliation of fair value measurement under Level 3 of the hierarchy for the six months ended June 30,

	2023	2022
Opening balance	\$ -	\$ 76,800
Purchases	-	-
Sales	-	-
Transfers	-	-
Remeasurements recognized in OCI	-	-
Closing balance	<u>\$ -</u>	<u>\$ 76,800</u>

The Company measures the subordinated convertible promissory note as described in note 5 at level 3 of the fair value hierarchy.

b) Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of cash and accounts receivable.

Cash and cash equivalents are maintained at a major financial institution. Deposits and short-term investments held with a bank may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with a financial institution of reputable credit and therefore bear minimal credit risk.

Credit risk from accounts receivable encompasses the default risk of customers. Credit risk on accounts receivable is minimized as a result of the constant review and evaluation of customer account balances. The Company also maintains an allowance for doubtful accounts at an estimated amount (if needed), to provide sufficient protection against losses resulting from collecting less than full payments from its receivables.

As at June 30, 2023, two major customers accounted for 60% and 11% of accounts receivable (December 31, 2022 – three major customers accounted for 54%, 14% and 11%).

The Company’s maximum credit exposure is represented by the carrying amount of accounts receivable.

SPECTRA PRODUCTS INC.
Notes to Unaudited Interim Condensed Financial Statements
June 30, 2023 and December 31, 2022

16 Financial Instruments Fair Value and Risks (cont'd)

c) Foreign Currency Risk

The Company is exposed to currency risk due to a certain portion of the Company's sales and purchases being in U.S. currency, resulting in U.S. dollar accounts receivable and U.S dollar cash balances. In addition, the company has US dollar denominated investments. These activities result in exposure to fluctuations in foreign currency rates between the U.S. and Canadian dollar. The Company's sensitivity to these foreign currency fluctuations is such that a 10% strengthening or weakening of the U.S. dollar would result in a corresponding \$40,948 increase or decrease to the Company's income before taxes and \$11,709 to other comprehensive income for the period ended June 30, 2023. At June 30, 2023, the Company had net assets denominated in U.S. currency of USD \$397,714 (December 31, 2022 – USD \$371,872) translated into Canadian dollars as shown below. The Company does not utilize any financial instruments or cash management policies to mitigate the risks arising from changes in foreign currency rates.

	June 30,	December 31,
	2023	2022
Cash	\$ 147,937	\$ 238,404
Accounts receivable	241,688	205,097
Loan receivable	19,860	20,316
Investments	117,088	39,846
	\$ 526,573	\$ 503,663

d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk through regular monitoring of cash requirements by preparing short-term cash flow forecasts. The financing requirements are addressed through a combination of credit facilities and private placements.

The following are the contractual maturities of the Company's financial liabilities as at June 30, 2023.

	Due within	1 and 2	2 and 3	Due between		> 5 years	Total
	1 year	years	years	3 and 4 years	4 and 5 years		
Accounts payable and accrued charges	\$ 167,100	-	-	-	-	-	\$ 167,100
Principal repayments on lease	58,634	64,277	70,096	76,094	39,884	-	\$ 308,985
Interest payments on lease	8,643	6,772	4,726	2,499	356	-	\$ 22,996
Total	\$ 234,377	71,049	74,822	78,593	40,240	-	\$ 499,081

e) Market Risk

The Company is exposed to market risk through its financial instruments and especially to price risk from its investing activities. It is the risk that the fair value and future cash flows of its investments will fluctuate because of market factors. Management monitors its investments on a regular basis and uses the services of an investment adviser when needed. The Company's sensitivity to market risk is such that a 10% strengthening or weakening of its portfolio would result in a respective \$12,939 increase or decrease to the Company's other comprehensive income for the year ended June 30, 2023.

SPECTRA PRODUCTS INC.
Notes to Unaudited Interim Condensed Financial Statements
June 30, 2023 and December 31, 2022

17 Related Party Transactions

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Fees paid to a company of a key executive, included within administrative costs	\$ 11,000	\$ 10,500	\$ 23,000	\$ 21,000
Commissions paid to the President of the Company, included within selling costs	\$ 31,908	\$ 16,351	\$ 57,667	\$ 33,078
Interest earned on loan described in note 8, included in interest income	\$ 232	\$ -	\$ 482	\$ -
			June 30,	December 31,
			2023	2022
Interest accrual on loan described in note 8, included within Accounts Receivable			\$ 941	\$ 459
Commission payable to the President of the Company, included in accounts payable and accrued charges			\$ 9,095	\$ 12,349

These transactions were in the normal course of business and recorded at the exchange value established and agreed upon by the related parties.

18 Income Taxes

Income tax expense varies from the amount that would be computed by applying the combined Federal and Provincial statutory income taxes rate as a result of the following:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Expected income tax expense at the combined Federal and provincial rate of 26.50% (2022 - 26.5%)	\$ 42,548	\$ 16,600	\$ 71,579	\$ 28,133
Increase (decrease) in income taxes resulting from: Non-deductible permanent differences	26	294	(162)	286
Provision for Income Taxes	<u>\$ 42,574</u>	<u>\$ 16,894</u>	<u>\$ 71,417</u>	<u>\$ 28,419</u>

Major components of the income tax expense recorded on the income statements are as follows:

	2023		2022	
	2023	2022	2023	2022
Current	\$ -	\$ -	\$ -	\$ -
Deferred	42,574	16,894	71,417	28,419
Provision for Income Taxes	<u>42,574</u>	<u>16,894</u>	<u>71,417</u>	<u>28,419</u>
Deferred taxes charged (credit) to OCI	<u>\$ 83</u>	<u>\$ (7,226)</u>	<u>\$ (7,120)</u>	<u>\$ (7,102)</u>

The Company has deferred tax assets of \$122,956 (2022 - \$187,253). The significant components of the Company's deferred tax assets are as follows:

	June 30,	December 31
	2023	2022
Net operating losses carried forward	\$ 64,181	\$ 131,973
Equipment	17,642	19,626
Intangible assets	3,667	4,191
Financing cost	1,852	3,703
Right of use asset and lease liability	11,400	10,916
Unrealized capital gains related to OCI	24,214	16,844
Deferred Tax Asset	<u>\$ 122,956</u>	<u>\$ 187,253</u>

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Notes to Unaudited Interim Condensed Financial Statements
June 30, 2023 and December 31, 2022

18 Income Taxes (cont'd)

The Company has non-capital tax losses available in the amount of approximately \$242,192 (December 31, 2022 – \$497,811), which can be carried forward to be applied against future years' taxable income. These losses, if unused, will expire as follows:

2038	\$	84,822
2039		157,370
	\$	<u>242,192</u>

19 Segmented Information

Sales are attributed to countries based on location of customer.

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Canada	\$ 301,940	\$ 126,564	\$ 569,772	\$ 325,418
United States	347,530	207,412	607,069	365,119
Other	6,109	-	12,310	-
	<u>\$ 655,579</u>	<u>\$ 333,976</u>	<u>\$ 1,189,151</u>	<u>\$ 690,537</u>

In the six months ended June 30, 2023, the Company derived 51% (2022 – 53%) of its revenue from sales to the United States. The Company's equipment is located in Canada.

In 2023, the Company derived sales from one customer in the United States amounting to 26% of the total sales revenue (2022 – two customers in the United States amounting to 28% and 10%).

20 Subsequent event

In connection with the NCIB program as described in note 13, the Company has purchased 119,500 common shares at a cost of \$28,685 as of the date of issuance of these unaudited interim condensed financial statements.

21 Reclassification of Prior Period Balances

Certain items in the comparative period have been reclassified to conform to current period presentation.