SPECTRA PRODUCTS INC.

FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

CONTENTS

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 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 in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and on a basis consistent with the accounting policies disclosed in the annual audited financial statements for the year ended December 31, 2021. These condensed interim financial statements were approved for issuance by the Board of Directors on October 27, 2022.
These condensed interim financial statements are not fully inclusive of all disclosures required by IFRS for annual financial statements, and should be read in conjunction with the annual audited financial statements, including accompanying notes, for the year ended December 31, 2021.

SPECTRA PRODUCTS INC.
Statements of Financial Position
September 30, 2022 and December 31, 2021

		2022		2021
ASSETS				
Current				
Cash	**$**	**1,027,636**	$	877,547
Loan receivable (note 4)		**20,550**		18,900
Investments (note 5)		**248,152**		330,298
Accounts receivable (note 6)		**242,779**		246,654
Inventories (note 7)		**188,159**		176.947
Prepaid expenses		**15,062**		4,737
		1,742,338		1,655,083
Deferred Tax Asset (note 18)		**197,895**		252,173
Right-of-use Asset (note 9)		**136,925**		156,486
Total Assets	**$**	**2,077,158**	$	2,063,742
LIABILITIES				
Current				
Accounts payable and accrued charges (notes 11 and 17)	**$**	**107,791**	$	124,126
Lease liability – current portion (note 12)		**26,338**		25,138
		134,129		149,264
Lease Liability (note 12)		**131,279**		151,260
		265,408		300,524
SHAREHOLDERS' EQUITY				
Share Capital (note 13)		**856,119**		937,719
Contributed Surplus (note 14)		**5,232,866**		5,232,866
Equity Reserve (note 15)		**172,140**		172,140
Other Comprehensive Income (Loss) (note 2(l))		**(34,298)**		(274)
Accumulated Deficit		**(4,415,077)**		(4,579,233)
Total Shareholders' Equity		**1,811,750**		1,763,218
Total Liabilities and Shareholders' Equity	**$**	**2,077,158**	$	2,063,742

APPROVED ON BEHALF OF THE BOARD

"Andrew J. Malion" — Chairman

"Robert Moran" — Director

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

SPECTRA PRODUCTS INC.

Statements of Changes in Shareholders' Equity
Nine months ended September 30, 2022 and 2021

	Share capital	Contributed surplus	Equity reserve	Other comprehensive income (OCI)	Accumulated deficit	Total shareholders' equity
Balance, January 1, 2022	$ 937,719	$ 5,232,866	$ 172,140	$ (274)	$ (4,579,233)	$ 1,763,218
Total Comprehensive income				(34,024)	164,156	130,132
Purchase of common shares for cancellation	(81,600)					(81,600)
Balance, September 30, 2022	$ 856,119	$ 5,232,866	$ 172,140	$ (34,298)	$ (4,415,077)	$ 1,811,750

	Share capital	Contributed surplus	Equity reserve	Other comprehensive income (OCI)	Accumulated deficit	Total shareholders' equity
Balance, January 1, 2021	$ 5,937,719	$ 232,866	$ 88,160	$ 247,986	$ (4,841,730)	$ 1,665,001
Total Comprehensive income				(219,085)	230,404	11,319
Stock based compensation			83,980			83,980
Balance, September 30, 2021	$ 5,937,719	$ 232,866	$ 172,140	$ 28,901	$ (4,611,326)	$ 1,760,300

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

SPECTRA PRODUCTS INC.

Statements of Comprehensive Income
Three months ended September 30, 2022 and 2021

		2022		2021
Sales	**$**	**461,995**	$	421,848
Cost of Sales		**214,120**		186,990
Gross Profit		**247,875**		234,858
Expenses				
Administrative costs		**92,980**		76,857
Selling costs		**29,668**		26,839
Finance costs		**1,237**		1,426
Amortization		**6,521**		6,521
		130,406		111,643
Income Before Taxes		**117,469**		123,215
Deferred income taxes (provision) recovery (note 18)		**(31,055)**		(32,657)
Net income		**86,414**		90,558
Other Comprehensive Income (Loss): *Items that will not be reclassified through profit and loss:* Unrealized gain on investments $14,376 net of deferred taxes of $1,905 (note 2(l) and 18)		**12,471**		(36,896)
Total Comprehensive Income (Loss)	$	**98,885**	$	53,662
Net Income per Share - Basic	**$**	**0.00**	$	0.00
Net Income per Share - Diluted	**$**	**0.00**	$	0.00
Weighted Average Number of Common Shares				
Outstanding During the Period – Basic		**74,844,971**		77,109,971
Outstanding During the Period – Diluted		**78,144,971**		80,409,971

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

SPECTRA PRODUCTS INC.
Statements of Comprehensive Income
Nine months ended September 30, 2022 and 2021

	2022	2021
Sales	**$ 1,152,532**	$ 1,302,789
Cost of Sales	**557,087**	547,756
Gross Profit	**595,445**	755,033
Expenses		
Administrative costs	**270,391**	335,477
Selling costs	**78,009**	82,102
Finance costs	**3,854**	4,418
Amortization	**19,561**	19,561
	371,815	441,558
Income Before Taxes	**223,630**	313,475
Deferred income taxes (provision) recovery (note 18)	**(59,474)**	(83,071)
Net income	**164,156**	230,404
Other Comprehensive Income (Loss): *Items that will not be reclassified through profit and loss:* Realized gains of $22,987 and unrealized loss on investments $62,208 net of deferred tax recovery of $5,197 (note 2(l) and 18)	**(34,024)**	(219,085)
Total Comprehensive Income (Loss)	$ **130,132**	$ 11,319
Net Income per Share - Basic	**$ 0.00**	$ 0.00
Net Income per Share - Diluted	**$ 0.00**	$ 0.00
Weighted Average Number of Common Shares		
Outstanding During the Period – Basic	**74,844,971**	77,109,971
Outstanding During the Period – Diluted	**78,144,971**	80,409,971

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

SPECTRA PRODUCTS INC.
Statements of Cash Flows
Nine months ended September 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Total Comprehensive income (loss)	**$ 130,132**	$ 11,319
Adjustments for:		
Finance costs	**3,854**	4,418
Unrealized loss on investments	**39,220**	254,008
Amortization	**19,561**	19,561
Stock-based compensation	**0**	83,980
	192,767	373,286
Changes in:		
Accounts receivable	**3,875**	(63,838)
Loan receivable	**(1,650)**	(19,050)
Prepaid expenses	**(10,325)**	(9,911)
Inventories	**(11,212)**	2,308
Accounts payable and accrued charges	**(16,335)**	66,389
Deferred tax asset	**54,278**	49,608
	211,398	398,792
Cash used in operating activities:		
Interest paid	**(3,854)**	(4,418)
Net Cash Provided by Operating Activities	**207,544**	394,374
Cash Flows from Investing Activities		
Purchase of common shares for cancellation	**(81,600)**	0
Sale (purchase) of investments	**42,926**	(104,094)
Net Cash from Investing Activities	**(38,674)**	(104,094)
Cash Flows from Financing Activities		
Repayment of lease liability	**(18,781)**	(18,217)
Net Cash Used in Financing Activities	**(18,781)**	(18,217)
Net Increase in Cash	**150,089**	272,063
Cash - Beginning of Period	**877,547**	569,826
Cash - End of Period	**$ 1,027,636**	$ 841,889

1. Nature of Business and Basis of Presentation

Nature of Business

Spectra Products Inc. ("Spectra") 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.

On January 1, 2020 Spectra Products Inc. (formerly, Spectra Inc.) (the "Company") completed a vertical short-form amalgamation with its wholly owned subsidiary Spectra Products Inc. under section 184(1) of the Business Corporations Act (Alberta). The amalgamation was approved by the board of directors of each of the amalgamating companies. In accordance with the amalgamation, the amalgamated Company shall continue as Spectra Products Inc.

Basis of Presentation

These financial statements were prepared in accordance with International Financial Reporting Standards (IFRS).

These financial statements were authorized for issuance by the Company's Board of Directors on October 27, 2022.

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

2. Summary of Significant Accounting Policies

a) Revenue recognition and recognition of profit on contracts

The Company enters into contracts with its customers to provide bus and truck transportation safety equipment. Contracts do not commit the customer to a specified quantity of products, and may be terminated at any time. Revenue is recognized at a point in time when control of the safety equipment is transferred to the customer, generally through physical transfer of the goods. The amount of revenue recognized reflects the consideration that the Company expects to be entitled to in exchange for those products based on purchase orders. Upon delivery of the goods, the Company's right to consideration is unconditional except for the passage of time. The Company does not incur incremental costs for individual purchase orders, nor does it receive payment in advance from its customers, and therefore the Company does not recognize contract assets or liabilities.

b) Investments

The Company's investments are in various marketable and other securities and are stated at fair value.

2. Summary of Significant Accounting Policies (cont'd)

c) Inventories

Inventories are valued, on a first-in, first-out basis at the lower of cost and net realizable value. The Company writes down estimated obsolete or excess inventory for the difference between the cost of inventory and estimated net realizable value based upon customer forecasts, shrinkage, the aging and future demand of the inventory, past experience with specific customers, and the ability to sell inventory to customers or return back to suppliers. If these assumptions change, additional write-downs may be required.

d) Equipment

Equipment is recorded at cost less accumulated amortization and impairment losses, if any. Amortization is charged to earnings over the estimated useful lives of the assets, using the undernoted method:

Dies and molds – Brake Safe – Short Bracket molds	10 years	Straight line method
Dies and molds – Brake Safe – Other molds	500,000 units	Units of production method

e) Leases

The Company adopted IFRS 16 on January 1, 2019. On the lease commencement date, a right-of-use asset and a lease liability was recognized. The right-of-use asset is initially measured at cost, which corresponds to the value of the lease liability adjusted for any lease payments made at or before the commencement date, lease incentives, initial direct costs incurred and estimated dismantling or restoration cost payable at the end of the lease. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term of 10 years.

Lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or the Company's incremental borrowing rate if the implicit rate cannot be readily determined. Lease payments included in the measurement of lease liability comprise fixed payments and exclude operating costs. The lease liability is subsequently measured at amortized cost using the effective interest method.

f) Intangible Assets

Intangible assets consist of patents, trademarks, product rights and prototypes. These are recorded at cost and amortization is provided, over the estimated useful life of the assets, using the undernoted annual rate and method:

Product rights and prototypes	3-10 years	Straight line

g) Impairment of Tangible and Intangible Long-lived Assets

The Company reviews its long-lived assets for impairment at the end of each reporting period for events indicative of whether changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability is assessed based on the carrying amount of a long-lived asset compared to the sum of the future undiscounted cash flows expected to result from its use and the eventual disposal of the asset. An impairment loss is recognized when the carrying amount is not recoverable and exceeds fair value. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would be determined, net of depreciation or amortization, if no impairment loss had been recognized.

2. Summary of Significant Accounting Policies (cont'd)

h) Income Taxes

The Company uses the asset and liability method of accounting for deferred income taxes. Under the asset and liability method, deferred income tax assets and liabilities are determined based on temporary differences (difference between the accounting basis and the tax basis of the assets and liabilities), and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. A valuation allowance is recorded against any deferred income tax asset if it is more likely than not that the asset will not be realized. Income tax expense or benefit is the sum of the Company's provision for current income taxes and the difference between the opening and ending balances of the deferred income tax assets and liabilities.

i) Stock-based Compensation

The Company uses the fair value-based method to account for stock-based compensation. The grant date fair value of stock options is estimated using the Black-Scholes option-pricing model. Compensation expense is recognized over the stock option vesting period with a corresponding charge to equity reserve. When the stock options are exercised, the proceeds, together with the amount recorded in equity reserve, are recorded in share capital.

j) Income per Share

Basic income per share is computed by dividing the net income available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted income per share, using the treasury stock method, assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on income per share. There are 3,300,000 stock options granted and vested in 2022 (3,300,000 in 2021). Therefore, the computation of diluted income per share reflects the exercise of these stock options.

k) Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities. Actual results may differ from those 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.

Examples of significant estimates include:

- Estimated useful life of assets;
- Allowance for doubtful accounts;
- Fair value of investments
- Provision for inventories;
- Stock-based compensation;
- Deferred income taxes; and
- Fair value of stock options
- Determination of lease term of contracts with renewal options
- Incremental borrowing rate of leases

2. Summary of Significant Accounting Policies (cont'd)

l) Comprehensive Income & Other Comprehensive Income

Certain gains and losses arising from changes in fair value are recorded outside of net income in accumulated other comprehensive income as a separate component of shareholders' equity. Comprehensive income is comprised of the Company's net income and other comprehensive income. Other comprehensive income includes any unrealized gains and losses on financial assets classified as fair value through other comprehensive income.

At September 30, 2022 the balance of other comprehensive loss is $34,298, loss, which represents the net after-tax realized gain and unrealized losses on investments (2021 – $274, loss). Based upon its business model, the Company has taken the option to irrevocably designate its current equity and convertible debt investments at fair value through other comprehensive income. Any subsequent gains or losses when realized will be recognized directly into equity.

m) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

The Company classifies all its financial assets and liabilities into one of the following categories: financial assets or financial liabilities at amortized cost, financial assets or financial liabilities at fair value through profit and loss and financial assets at fair value through other comprehensive income. All financial instruments are measured on the balance sheet initially at fair value. Subsequent measurement and recognition of the changes in fair value of financial instruments depends upon their initial classifications.

Cash is classified as financial asset measured at fair value through profit and loss. Cash is measured at fair value with subsequent changes in fair value recognized in current period net income. Transaction costs are expensed in net income. Gains and losses arising from changes in fair value are presented in net income within other gains and losses in the period in which they arise.

Investments in equity and convertible debentures are classified as financial assets at fair value through other comprehensive income. The Company's business model supports this accounting treatment and it has opted to irrevocably designate its current equity and convertible debt investments at fair value through other comprehensive income. Any gains or losses, when subsequently realized, will be recognized through equity.

Accounts and loan receivables are classified as financial asset measured at amortized cost. Accounts receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, accounts receivables are measured at amortized cost using the effective interest method less a provision for impairment.

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire or when the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of ownership of the asset. Any interest in transferred financial assets created or retained by the Company is recognized as a separate asset or liability.

Accounts payable and accrued charges, and lease liability are classified as financial liabilities measured at amortized cost. Financial liabilities at amortized cost are recognized initially at fair value plus any directly attributable transaction costs and are subsequently recorded at amortized cost. Debt issue and other transaction costs are netted against the carrying value of the long-term debt and are amortized over the life of the debt using the effective interest rate method.

2. Summary of Significant Accounting Policies (cont'd)

m) Financial instruments (cont'd)

The Company's fair value measurements use a fair value hierarchy that prioritizes the inputs used in measuring fair values as follows:

Level 1	valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities:
Level 2	valuation techniques based on inputs that are other than quoted prices included in Level 1 that are observable for the asset or liability either directly (prices) or indirectly (derived from prices); and
Level 3	valuation techniques with unobservable market inputs (involves assumptions and estimates by management).

The Company's financial instruments at fair value are cash and investments, and at September 30, 2022 these have been valued using Level 1 and Level 3.

n) Impairment of Financial Assets

The Company applies the IFRS 9 simplified approach to measure expected credit losses using a lifetime expected credit loss provision for accounts receivable. Lifetime expected credit losses are estimated based on factors such as the Company's historical experience of collecting payments and the number of delayed payments past the average credit period. The historical loss rates are then adjusted for current and forward looking (12 months) information, which include observable changes in national or local economic conditions that correlate with default on receivables, financial difficulty of the borrower and it becoming probable that the borrower will enter bankruptcy or financial re-organization.

Financial assets are written off when there is no reasonable expectation of recovery.

o) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the year-end. Revenues and expenses are translated from foreign currencies at the rate of exchange prevailing on the transaction date. Any resulting gains or losses are included in income for the year.

3. 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.

3. Capital Structure (cont'd)

The components of capital are as follows:

		2022		2021
Share capital	**$**	**856,119**	$	937,719
Contributed surplus		**5,232,866**		5,232,866
Equity reserve		**172,140**		172,140
Other Comprehensive Income (Loss)		**(34,298)**		(274)
Accumulated deficit		**(4,415,077)**		(4,579,233)
	$	**1,811,750**	$	1,763,218

4. Loan receivable

On July 19, 2021, the Company advanced a US$15,000 loan to the Company's President, Andrew Malion. This loan advance is due for repayment on July 19, 2024, extended from July 19, 2022, together with interest at 5%. At September 30, 2022, the Canadian dollar converted value of this loan amount was $20,550

5. Investments

Investments comprise marketable securities and a subordinated convertible promissory note. The promissory note is stated at cost because, as the investment is in a private corporation, no information is available to determine fair value and it is management's opinion that due to the short-term nature of the investment, cost represents fair value.

6. Accounts Receivable

		2022		2021
Trade receivables	**$**	**241,968**	$	234,705
Government remittances receivable		**811**		11,949
	$	**242,779**	$	246,654

At September 30, 2022 based on the Company's experience, there was Nil allowance for doubtful accounts. (2021 – Nil).

7. Inventories

		2022		2021
Finished goods	**$**	**114,021**	$	88,113
Raw materials		**74,138**		88,834
	$	**188,159**	$	176,947

8. Equipment – Dies and Molds – Brake Safe

	2022			2021		
	Short Bracket Molds	**Other Molds**	**Total**	Short Bracket Molds	Other Molds	Total
Cost	**$9,210**	**$134,244**	**$143,454**	$9,210	$134,244	$143,454
Less: Accumulated amortization	**9,210**	**134,244**	**143,454**	9,210	134,244	143,454
	$ -	**$ -**	**$ -**	$ -	$ -	$ -

9. Right-of-use asset

	2022	2021
Cost	**$ 260,810**	$ 260,810
Less: Accumulated amortization	**(123,885)**	(104,324)
	$ 136,925	$ 156,486

10. Intangible Assets – Product rights

	2022	2021
Cost	**$ 25,000**	$ 25,000
Less: Accumulated amortization	**25,000**	25,000
	$ -	$ -

The product rights are still in use by the Company.

11. Accounts Payable and Accrued Charges

	2022	2021
Trade and other payables	**$ 60,523**	$ 76,868
Accrued expenses (note 17)	**47,268**	47,258
	$ 107,791	$ 124,126

12. Lease Liability

The Company has entered into a lease for premises on January 1, 2018 which continues for five years until December 31, 2022 with an option to extend for an additional five years. The Company is reasonably certain to exercise the extension option and has included the extension period in the measurement of lease liability. The lease agreement does not state an agreed annual base rent for the five-year extension period. The Company has estimated the lease payments for the extension period based on an annual increase of 2.70% per annum. The lease liability has been calculated using the Company's incremental borrowing rate of 3.10% per annum.

	2022	2021
Lease liability	**$ 157,617**	$ 176,398
Less: current portion	**(26,338)**	(25,138)
Long-term portion	**$ 131,279**	$ 151,260

The Company paid lease payments of $22,635 (2021 - $22,635), comprising principal repayment of the lease liability of $18,781 (2021 - $18,217) and interest expense of $3,854 (2021 - $4,418).

13. Share Capital

Authorized

Unlimited	common shares
Unlimited	first, second, third and fourth preferred shares 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, non-cumulative dividends of 10% per annum, redeemable at the stated value, non-voting

Issued and outstanding

		2022	2021
74,844,971	(December 31, 2021 – 77,109,971) common shares	**$ 856,119**	$ 937,719

On December 29, 2021, following approval of a Special Resolution by the Company's shareholders, the Directors approved that the stated capital account maintained in respect of the common shares of the Company be reduced by five million dollars and a corresponding increase be made to the contributed surplus account of the Company.

As of March 4, 2022, the TSXV Venture Exchange accepted the Company's Notice of Intention to make a Normal Course Issuer Bid to purchase for cancellation, from time to time, as the Company considers advisable, up to a maximum of 3,855,500 common shares in the capital of the Company. The maximum number of Common Shares to be purchased pursuant to the Bid represents 5.0% of the Company's 77,109,971 Common Shares outstanding as at the date above. In the nine months ended September 30, 2022 the Company purchased 2,265,000 common shares for a total cost of $81,600. Correspondingly, the number of issued and outstanding shares has been reduced by 2,265,000 to 74,844,971 and the total cost of $81,600 has reduced the amount attributed to share capital from $937,719 to $856,119.

14. Contributed Surplus

Contributed surplus consists of the equity portion of formerly convertible preferred shares, the value attributed to unexercised warrants 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 periods ended September 30, 2022 and December 31, 2021:

	2022		2021	
	Number of Options	**Exercise Price**	Number of Options	Exercise Price
Balance, beginning of year	**3,300,000**	**$ 0.05**	1,600,000	$. 0.05
Granted	**-**	**-**	1,700,000	0.05
Exercised or expired	-	-	-	-
Balance, end of year	**3,300,000**	**$ 0.05**	3,300,000	$. 0.05

On March 17, 2021, the Company granted 1,700,000 stock options to directors and employees, which give the holder the right to acquire shares at $0.05 per share. They vested immediately upon issuance and are exercisable on or before March 17, 2026.

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	0.99%
Expected term of options	5 years
Volatility	224%
Stock price	$0.05
Fair value per option	$0.05

For the period ended September 30, 2022, stock-based compensation expense was $nil (2021 - $83,980). Stock-based compensation expense for 2021 was recorded in the statement of comprehensive income as administrative costs with a corresponding charge to equity reserve.

As at September 30, 2022, the average remaining contractual life of outstanding options was approximately 2.75 years (December 31, 2021 – 3.5 years) and a total of 3,300,000 options (2021 – 3,300,000) were exercisable at an exercise price of $0.05 (2020 - $0.05).

16. Financial Instruments fair value and risks

a) Fair Value

The carrying value of the Company's financial instruments consisting of cash, 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.

b) Credit Risk

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

Cash is maintained at a major financial institution. Deposits 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 September 30, 2022, three major customers accounted for 49%, 5%, and 5% of accounts receivable (2021 – three major customers accounted for 75%, 4% and 4%).

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

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 $15,639 increase or decrease to the Company's income before taxes and $9,191 to other comprehensive income for the period ended September 30, 2022. At September 30, 2022, the Company had net assets denominated in U.S. currency of US$ 248,299 (2021 – US$ 826,258) 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.

	2022	2021
Cash	**$ 26,318**	$ 707,601
Accounts receivable	**167,385**	183,700
Loan receivable	**20,550**	18,900
Investments	**125,917**	179,260
	$ 340,170	$ 1,089,461

16. Financial Instruments fair value and risks (cont'd)

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 September 30, 2022

		Due between					
	Due within 1 year	1 and 2 years	2 and 3 years	3 and 4 years	4 and 5 years	> 5 years	Total
Accounts payable and accrued charges	$107,791	$ -	$ -	$ -	$ -	$ -	$ 107,791
Present value of Lease liability	26,338	26,744	28,421	30,174	32,005	13,935	157,617
Future interest on lease liability	5,042	4,251	3,411	2,517	1,568	564	17,353
Total	$ 139,171	$ 30,995	$ 31,832	$ 32,691	$ 33,573	$ 14,499	$ 282,761

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 $21,527 increase or decrease to the Company's other comprehensive income for the year ended September 30, 2022.

17. Related Party Transactions

a) During 2022, management fees of $31,500 (2021 - $31,500) were paid to a company of a key executive.

b) During 2022, commissions of $55,303 (2021 - $61,284) were paid to a director of the Company.

c). On July 19, 2021, the Company advanced a US$15,000 loan to the Company's President. This loan is due for repayment on July 19, 2024, extended from July 19, 2022, together with interest at 5%.

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:

		2021		2020
Expected income tax expense at the combined Federal and provincial rate of 26.50% (2020- 26.50%)	**$**	**102,746**	$	128,930
Increase (decrease) in income taxes resulting from:				
Non-deductible permanent differences		**22,478**		2,122
Provision for income taxes	**$**	**125,224**	$	131,052

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

		2021		2020
Current	**$**	**-**	$	-
Deferred		**125,244**		131,052
Provision for income taxes	**$**	**125,244**	$	131,052
Deferred taxes charged (credit) to OCI	**$**	**(37,097)**	$	37,055

The Company has deferred tax assets of $252,173 (2020 - $340,300). The significant components of the Company's deferred tax assets are as follows:

		2021		2020
Net operating losses carried forward	**$**	**209,250**	$	270,404
Capital losses carried forward		**-**		1,490
Equipment		**24,610**		27,545
Intangible assets		**5,588**		61,980
Financing cost		**7,406**		11,109
Right of use asset and lease liability		**5,277**		4,827
Unrealized capital gains related to OCI		**42**		(37,055)
Deferred tax asset	**$**	**252,173**	$	340,300

The Company has non-capital tax losses available in the amount of approximately $789,600 (2020 – $1,020,400), which can be carried forward to be applied against future years' taxable income. These losses, if unused, will expire as follows:

2031	$	162,900
2032		69,400
2033		62,100
2034		51,500
2035		61,200
2036		62,100
2037		74,700
2038		88,300
2039		157,400
	$	789,600

19. Commitments

In 2015, the Company entered into a consulting services agreement with a company controlled by a key executive who is a shareholder of the Company. In December 2016, this agreement was extended for a further five years on the same terms and conditions and now expires on December 31, 2022. Under the terms of the agreement, that company was required to pay a fees of $75,000 per year plus an annual participation fee, calculated as 5% of the annual net income. Effective July 1, 2019, the terms of this agreement were modified and annual fees will now be $42,000 and there will be no participation payment.

20. Segmented Information

Sales are attributed to countries based on location of customer.

	2022	2021
Canada	**$ 539,448**	$ 610,007
United States	**613,084**	692,782
	$ 1,152,532	$ 1,302,789

In 2022, the Company derived 53% (2021 – 53%) of its revenue from sales to the United States. The Company's equipment is located in Canada.

In 2022, the Company derived sales from three customers amounting to 30%, 8% and 7% of the total sales revenue (2021 – three customers amounting to 37%, 9% and 7%).

21. COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy, capital markets and the Company's financial position cannot be reasonably estimated at this time. During the year, the Company received wage subsidy in the amount of $0 (2021 - $19,938 which are netted against the payroll costs. The Company is constantly monitoring and analyzing the extent of the financial impact of the COVID-19 pandemic, which could be material depending on the scope and duration of the pandemic.

22. Subsequent events

As of March 4, 2022, the TSX Venture Exchange accepted the Company's Notice of Intention to make a Normal Course Issuer Bid to purchase for cancellation up to a maximum of 3,855,500 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 Bid represents 5.0% of the Company's 77,109,971 Common Shares outstanding as at the date above. Since the end of the quarter ended September 30, 2022, the Company has purchased a further 955,000 common shares at a cost of $34,825.

As of October 26, 2022, the Board of Directors resolved to effect a five-to-one share consolidation ("Consolidation") of the Company's common shares to take effect on October 31, 2022. This Consolidation, which has prior shareholder approval, will result in the issuance of one post-Consolidation common share for every five pre-Consolidation common shares currently issued and outstanding. No fractional common shares will be issued. As of October 26, 2022, the Company has 73,849,971 common shares issued and outstanding. After giving effect to the Consolidation, the Company will have approximately 14,769,994 common shares issued and outstanding, subject to rounding of fractional common shares. The Consolidation was subject to approval by the TSX Venture exchange and this approval was given on October 31, 2022.