



**Omni-Lite Industries Canada Inc.  
Unaudited Condensed Consolidated Financial Statements  
For the interim three and nine months ended September 30,  
2023, and 2022  
(in United States Dollars)**

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**United States Dollars**  
**Unaudited**

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**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 released by the Canada Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed consolidated financial statements for the three months ended September 30, 2023, and 2022.

**NOTICE TO THE READER OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The unaudited condensed consolidated financial statements of Omni-Lite Industries Canada Inc. including the consolidated statements of financial position as at September 30, 2023 and 2022 and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity, and cash flows for the three and nine months ended September 30, 2023 and 2022 are the responsibility of the Company's management.

These unaudited condensed consolidated financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, MNP LLP.

The unaudited condensed consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these unaudited condensed consolidated financial statements in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB").

*"David Robbins" signed*

David Robbins  
Director and Chief Executive Officer  
Cerritos, California, USA  
November 9, 2023

*"Roger Dent" signed*

Roger Dent  
Director  
Cerritos, California, USA  
November 9, 2023

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**Consolidated Statements of Financial Position**

	Note	September 30, 2023	December 31, 2022
<b>Assets</b>			
<b>Current</b>			
Cash		\$ 1,305,512	\$ 1,328,430
Accounts Receivable		2,118,746	2,268,442
Inventory	3	4,402,539	3,421,833
Income Tax Receivable		-	88,141
Prepaid Expenses		155,201	199,884
<b>Total Current Assets</b>		<b>\$ 7,981,998</b>	<b>\$ 7,360,730</b>
<b>Long-Term</b>			
Investment	4	1,020,423	487,704
Property, Plant and Equipment, net	5	10,354,312	11,081,433
Due from Related Parties	7	-	2,000
Deferred Tax Asset		-	29,439
Intangible Assets	6	1,043,241	1,128,978
Deposits		55,900	55,881
<b>Total Assets</b>		<b>\$ 20,455,874</b>	<b>\$ 20,062,725</b>
<b>Liabilities</b>			
<b>Current</b>			
Accounts Payable and Accrued Liabilities		\$ 1,316,364	\$ 1,329,265
Lease Liability	8	378,266	338,233
Deferred Revenue		49,800	
<b>Total Current Liabilities</b>		<b>\$ 1,744,430</b>	<b>1,667,498</b>
<b>Long-Term</b>			
Lease Liability	8	5,647,895	5,918,830
Deferred Tax Liability		431,622	58,703
<b>Total Liabilities</b>		<b>\$ 7,823,947</b>	<b>\$ 7,645,031</b>
<b>Shareholders' Equity</b>			
Share Capital	9	11,252,443	11,252,443
Contributed Surplus	10	2,251,896	2,185,578
Retained Earnings		(1,197,308)	(810,422)
Accumulated Other Comprehensive Income (Loss)		324,896	(209,905)
<b>Total Shareholders' Equity</b>		<b>\$ 12,631,927</b>	<b>\$ 12,417,694</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 20,455,874</b>	<b>\$ 20,062,725</b>

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

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**Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)**

For the three and nine months ended Sept 30 Note	For the nine month period ended Sept 30, 2023	For the nine month period ended Sept 30, 2022	For the three month period ended Sept 30, 2023	For the three month period ended Sept 30, 2022
<b>Revenue</b>	\$ 9,096,862	\$ 8,025,028	\$ 3,322,023	\$ 3,184,818
<b>Cost of goods sold</b>	3 7,452,950	7,697,333	2,630,348	2,870,925
<b>Gross margin</b>	<b>\$ 1,643,912</b>	<b>\$ 327,696</b>	<b>\$ 691,675</b>	<b>\$ 313,893</b>
<b>Overhead expenses</b>				
Selling, general and administrative	1,310,982	1,540,115	392,277	466,828
Share-based compensation	9 66,318	80,036	22,106	22,106
Amortization of intangible assets	6 48,500	90,250	14,500	29,865
Total overhead expenses	1,425,800	1,710,401	428,883	518,800
Research and product design	251,449	100,759	105,436	38,840
<b>(Loss)/Income from operations</b>	<b>\$ (33,337)</b>	<b>\$ (1,483,465)</b>	<b>\$ 157,356</b>	<b>\$ (243,746)</b>
<b>Other income (expense)</b>				
Interest income	74,846	39,655	23,021	16,775
Interest expense	8 (417,538)	(433,940)	(137,589)	(144,906)
Other income	439,716	328,285	100,000	-
<b>Loss before income taxes</b>	<b>\$ 63,688</b>	<b>\$ (1,549,464)</b>	<b>\$ 142,788</b>	<b>\$ (371,878)</b>
<b>Income tax expense (recovery)</b>				
Current	131,886	47,620	52,544	(87)
Deferred	318,687	(59,502)	97,830	(17,447)
	450,574	(11,881)	150,374	(17,535)
<b>Net loss</b>	<b>\$ (386,885)</b>	<b>\$ (1,537,582)</b>	<b>\$ (7,586)</b>	<b>\$ (354,343)</b>
<b>Other comprehensive income/(loss)</b>				
Translation of foreign subsidiary	2,081	(417,503)	(95,083)	(440,409)
(Loss) Gain on investment	4 532,719	(75,812)	113,328	(32,590)
<b>Comprehensive loss</b>	<b>\$ 147,915</b>	<b>\$ (2,030,898)</b>	<b>\$ 10,659</b>	<b>\$ (827,342)</b>
<b>Net Loss per share</b>				
- basic	10 (0.03)	(0.10)	(0.00)	(0.02)
- diluted	10 (0.03)	(0.10)	(0.00)	(0.02)
<b>Weighted average shares outstanding</b>				
- basic	10 15,412,564	15,412,564	15,412,564	15,412,564
- diluted	10 15,412,564	15,412,564	15,412,564	15,412,564

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

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**Consolidated Statements of Changes in Shareholders' Equity**

	Note	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income/Loss	Shareholders' Equity
<b>Balance at December 31, 2021</b>		\$ 10,266,560	\$ 2,083,436	\$ 1,742,927	\$ 84,301	\$ 14,177,224
Share-based compensation	9	-	57,929	-	-	57,929
Net loss		-	-	(1,183,239)	-	(1,183,239)
Gain on investment	4	-	-	-	(53,499)	(53,499)
Cumulative translation adjustment		-	-	-	(51,118)	(51,118)
Shares issuance	9	985,883	-	-	-	985,883
<b>Balance at September 30, 2022</b>		\$ 11,252,443	\$ 2,141,365	\$ 559,688	\$ (20,316)	\$ 13,933,180

	Note	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income/Loss	Shareholders' Equity
<b>Balance at December 31, 2022</b>		\$ 11,252,443	\$ 2,185,578	\$ (810,422)	\$ (209,905)	\$ 12,417,694
Share-based compensation	9	-	66,319	-	-	66,319
Net loss		-	-	(386,885)	-	(386,885)
Gain on investment	4	-	-	-	532,719	532,719
Cumulative translation adjustment		-	-	-	2,080	2,080
Shares issuance	9	-	-	-	-	-
<b>Balance at September 30, 2023</b>		\$ 11,252,443	\$ 2,251,897	\$ (1,197,307)	\$ 324,894	\$ 12,631,927

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**Consolidated Statements of Cash Flows**

For the three and nine months ended Sept 30	Note	For the nine month period ended Sept 30, 2023	For the nine month period ended Sept 30, 2022	For the three month period ended Sept 30, 2023	For the three month period ended Sept 30, 2022
<b>Cash flows from operating activities</b>					
Net loss for the period		\$ (386,885)	\$ (1,537,582)	\$ (7,586)	\$ (354,343)
Adjustments for:					
Depreciation	5	858,909	859,666	288,137	281,418
Inventory reserve		86,993	(80,676)	-	(11,965)
Allowance for bad debt (reversal)		-	-	-	-
Amortization of intangible assets	6	86,391	90,250	27,176	29,865
Deferred tax (recovery) expense		461,059	(168,036)	150,374	(59,502)
Share-based compensation	9	66,318	80,036	22,106	22,106
Lease interest expense	8	417,538	433,940	137,626	144,906
		<b>\$ 1,590,322</b>	<b>\$ (322,402)</b>	<b>\$ 617,833</b>	<b>\$ 52,486</b>
Net change in non-cash working capital items					
Accounts receivable		149,696	(145,411)	(116,680)	(709,742)
Other receivables		-	309,562	-	-
Inventory		(1,067,701)	128,301	(50,457)	21,090
Prepaid expenses		44,683	79,372	(60,038)	(99,064)
Accounts payable and accrued liabilities		(12,902)	(498,722)	(100,456)	182,635
Deferred Revenue		49,800	-	49,800	-
Deposits		(19)	(23,295)	617	2,020
Income taxes payable		-	(445,860)	-	(46)
<b>(Decrease)/Increase in cash from operating activities</b>		<b>\$ 753,879</b>	<b>\$ (918,455)</b>	<b>\$ 340,619</b>	<b>\$ (550,621)</b>
<b>Cash flows from financing activities</b>					
Employee Receivables		2,000	9,000	-	3,000
Lease liability borrowing	8	-	97,229	-	-
Repayment of lease liability	8	(648,220)	(614,760)	(216,491)	(220,485)
Proceeds from Common Share Private Placement		-	985,883	-	-
<b>Increase/(Decrease) in cash from financing activities</b>		<b>\$ (646,220)</b>	<b>\$ 477,352</b>	<b>\$ (216,491)</b>	<b>\$ (217,485)</b>
<b>Cash flow from investing activities</b>					
Purchase of property, plant and equipment	5	(126,754)	(434,615)	(85,845)	(64,256)
<b>Decrease in cash from investing activities</b>		<b>\$ (126,754)</b>	<b>\$ (434,615)</b>	<b>\$ (85,845)</b>	<b>\$ (64,256)</b>
Currency translation		(3,823)	(104,727)	(30,769)	(82,910)
<b>Increase/(Decrease) in cash</b>		<b>\$ (22,918)</b>	<b>\$ (980,445)</b>	<b>\$ 7,514</b>	<b>\$ (915,272)</b>
<b>Cash, beginning of period</b>		<b>\$ 1,328,430</b>	<b>\$ 2,418,301</b>	<b>\$ 1,297,998</b>	<b>\$ 2,353,128</b>
<b>Cash, end of period</b>		<b>\$ 1,305,512</b>	<b>\$ 1,437,856</b>	<b>\$ 1,305,512</b>	<b>\$ 1,437,856</b>

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

## Notes to Condensed Consolidated Financial Statements

### 1. Nature of Operations

Omni-Lite Industries Canada Inc. (“Omni-Lite” or the “Company”) was incorporated under the Laws of the Business Corporations Act of Alberta in 1992. The consolidated financial statements of the Company for the three and nine months ended September 30, 2023, include the accounts of the Company and its wholly owned subsidiaries. The consolidated financial statements were authorized for issue by the Board of Directors on November 1, 2023, its head office, research and development, and production operations are located at 17210 Edwards Road, Cerritos, California, U.S.A, 90703. A corporate, registered office is located at 18 Kings Street East, Suite 902, Toronto, ON M5C2C4. The Company’s core mission is the adaptation of material science for mission critical applications. These products include components for the aerospace, military, specialty automotive and sports and recreational industries. Since the most significant portion of the Company’s operations is located in the United States (“U.S.”) and its functional currency is U.S. dollars, these consolidated financial statements are presented in U.S. dollars. The Company is listed for trading on the TSX Venture Exchange under the symbol OML and the OTCQX under the symbol OLNCF.

### 2. Significant Accounting Policies

These condensed consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee (“IFRIC”) in effect at September 30, 2023.

These condensed consolidated financial statements are unaudited and have been prepared in accordance with IAS 34, Interim Financial Reporting.

The significant accounting policies of the Company are the same as those applied in the Company’s annual audited consolidated financial statements for the years ended December 31, 2022, and 2021. These policies have been consistently applied to each of the periods presented.

#### a) Estimates and Judgements

The preparation of consolidated financial statements requires management to make estimates and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements have, in the management’s opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the significant accounting policies.

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### 3. Inventory

The major components of inventory are classified as follows:

The cost of inventories recognized as expense and included in cost of goods sold for the three months ended September 30, 2023, was \$2,630,348 (2022 - \$2,870,925). The cost of inventories recognized as expense and included in cost of goods sold for the nine months ended September 30, 2023, was \$7,452,950 (2022 - \$7,697,33).

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Raw Materials	928,849	781,992
Tooling	625,879	531,217
Work in Progress	1,250,117	856,817
Finished Goods	1,597,694	1,251,807
<b>Total</b>	<b>\$ 4,402,539</b>	<b>\$ 3,421,833</b>

### 4. Investment

At December 31, 2022, the long-term investment consists of an equity investment of 6,004,970 common shares of California Nanotechnologies Corp. ("California Nano"), a public company related through a common director. The Company's investment is recorded at the fair value as supported by the market price listed on the TSX Venture Exchange.

	<b>Carrying Amount</b>
Investment at December 31, 2021	\$ 426,288
Gain from market price valuation	61,416
Investment at December 31, 2022	\$ 487,704
Gain from market price valuation	532,719
<b>Investment at September 30, 2023</b>	<b>\$ 1,020,423</b>



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## 5. Property, Plant and Equipment

	Building	Production Equipment	Other Equipment	Non-Consumable Tooling	Right-of-Use Assets	Totals
<b>At December 31, 2021</b>	\$ 4,353	\$18,140,498	\$301,045	\$7,886,989	\$4,624,873	30,957,758
Additions	-	456,628	8,030	-	-	464,658
Currency translation	-	(161,807)	(6,703)	-	(157,496)	(326,006)
<b>At December 31, 2022</b>	\$ 4,353	\$18,435,319	\$302,372	\$7,886,989	\$4,467,377	31,096,410
Additions	-	122,116	4,638	-	-	126,754
Currency translation	-	1,545	(32)	-	1,533	3,046
<b>At September 30, 2023</b>	\$ 4,353	\$18,558,980	\$306,978	\$7,886,989	\$4,468,910	31,226,210

### Accumulated depreciation

At December 31, 2021	\$ 4,353	\$10,697,217	\$188,196	\$7,883,806	\$120,075	\$18,893,647
Depreciation	-	597,332	25,105	1,760	515,866	1,140,063
Currency translation	-	(6,611)	(675)	-	(11,447)	(18,733)
<b>At December 31, 2022</b>	\$4,353	\$11,287,938	\$212,626	7,885,566	\$624,494	\$20,014,977
Depreciation	-	458,946	18,444	1,319	380,199	858,909
Currency translation	-	4,049	(4,963)	-	(1,073)	(1,987)
<b>At September 30, 2023</b>	\$4,353	\$11,750,933	\$226,107	\$7,886,885	\$1,003,620	\$20,871,898
At December 31, 2022	\$ -	\$7,147,381	\$89,746	\$ 1,423	\$3,842,883	\$11,081,433
<b>At September 30, 2023</b>	\$ -	\$6,808,047	\$80,871	\$104	\$3,465,290	\$10,354,312

## 6. Intangible Assets

	Customer Relationships	Goodwill	Trademark	Non-Compete Agreements	Patents	Totals
<b>Cost</b>						
<b>December 31, 2022</b>	\$491,033	\$878,375	\$100,000	\$20,000	\$6,285	\$1,495,693
Foreign currency translation	167	313	-	-	-	480
<b>September 30, 2023</b>	\$491,200	\$878,688	\$100,000	\$20,000	\$6,285	\$1,496,173
<b>Accumulated amortization</b>						
<b>December 31, 2022</b>	\$261,215	\$ -	\$85,500	\$20,000	\$ -	\$366,715
Amortization	71,891	-	14,500	-	-	86,391
Foreign currency translation	(174)	-	-	-	-	(174)
<b>September 30, 2023</b>	\$332,932	\$ -	\$100,000	\$20,000	\$ -	\$452,932
<b>Net book value</b>						
December 31, 2022	\$229,818	\$878,375	\$14,500	\$ -	\$6,285	\$1,128,978
<b>September 30, 2023</b>	\$158,268	\$878,688	\$ -	\$ -	\$6,285	\$1,043,241

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## 7. Related Party Transactions and Balances

During the three and nine months ended September 30, 2023, the Company had the following related party transactions and balances not disclosed elsewhere in these condensed consolidated financial statements:

The Company has a loan receivable from CalNano including accrued interest in the amount of \$980,258, which is due on May 30, 2023. Of this amount, \$970,791 accrues interest at 7.5% per annum and is paid on a monthly basis. In the three months ended September 30, 2023, CalNano paid in advance \$100,000 of principal payments. In the nine months ended September 30, 2023, CalNano paid in advance \$220,000 of principal payments. The loan is secured by all the assets of California Nanotechnologies Inc., a subsidiary of CalNano. This loan receivable is fully reserved and reported as nil. On March 31, 2020, the bank called CalNano's line of credit of \$250,000, which was guaranteed by the Company. Omni-Lite repaid this amount on their behalf and has a loan receivable with interest at the prime rate plus 1% from California Nanotechnologies Corp. This amount has been fully reserved.

The Company has employee receivables of nil in the nine months ended September 30, 2023, and \$2,000 in the three months ended December 31, 2022. These receivables are comprised of an unsecured interest free loan receivable from an employee forgiven after five years of service, related to the acquisition of property with a maturity date in 2022, as well as four granted (December 31, 2020) related to the purchase of hybrid/electric cars under the Company's *Greenhouse Gas Reduction Incentives for Employees* program in the amount of \$5,000 each. In the six months ended September 30, 2023, all of the grants have matured.

Charles Samkoff is a member of the Company's Board of Directors and is a Managing Director of Cypress Partners LLC ("Cypress"), a firm retained by the Company to provide financial advisory services to the Company in support of the Company's strategic plan that includes, among others, the consideration of potential investments, strategic acquisitions, related growth opportunities, and near-term and long-term business objectives and initiatives. The Company incurred professional fees to this firm of \$56,000 for the nine months ended September 30, 2023, and nil for the nine months ended September 30, 2022.

### **Significant Subsidiaries:**

The table below provides information relative to the Company's significant subsidiaries, including each such entity's name, its jurisdiction of incorporation/formation, the percentage of securities directly or indirectly owned by the Company, a brief description of the entity, and the market areas served, if applicable. The functional currency of each entity is U.S. Dollars.

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**Significant Subsidiaries – continued**

Company (Jurisdiction of Incorporation/ Formation)	Percentage of ownership by Omni-Lite Industries Canada, Inc.	Overview	Market Area
Omni-Lite Industries California, Inc. (California, USA)	100%	Wholly owned subsidiary of Omni-Lite Industries Canada, Inc., which was formed and incorporated on October 4, 1985. It is the head office which conducts research and development, and production operations.	United States
Monzite Holding Co. (Delaware, USA)	100%	Wholly owned subsidiary of Omni-Lite Industries Canada, Inc., which was acquired on September 21, 2018. It is a holding company for Monzite Corporation.	United States
Monzite Corporation (New Hampshire, USA)	100%	Indirectly owned subsidiary of Omni-Lite Industries Canada, Inc., which was acquired on September 21, 2018. It is a holding company for Impellimax, Inc.	United States
Impellimax, Inc. (New Hampshire, USA)	100%	Wholly owned subsidiary of Monzite Corporation, which was acquired on September 21, 2018. It designs, manufactures, and contract manufactures electronic subcomponents.	United States
Designed Precision Castings Inc. (Ontario, Canada)	100%	Indirectly owned subsidiary of Omni-Lite Industries Canada Inc, which was acquired on December 20, 2021. It designs and manufactures investment castings.	United States, Canada
Marvel Acquisition Co. Ltd. (Ontario, Canada)	100%	Wholly owned subsidiary of Omni-Lite Industries Canada Inc., which is a holding company, and sole shareholder of Designed Precision Castings Inc.	Canada

**8. Lease Liability**

	September 30, 2023	December 31, 2022
Opening Balance January 1	\$ 6,257,063	\$ 6,537,256
Additions	-	97,229
Payments	(648,220)	(823,015)
Interest	417,538	576,642
Currency translation	(220)	(131,049)
Lease liability end of period	<u>\$ 6,026,161</u>	<u>\$ 6,257,063</u>
Less current portion	<u>378,266</u>	<u>338,233</u>
Long term portion	<u>\$ 5,647,895</u>	<u>\$ 5,918,830</u>

In the first quarter of 2022, the Company entered into a lease to purchase equipment in the amount of \$97,229. The discount rate applied to this lease was 7.4%, which was the discount rate implied in the lease terms.

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**8. Lease Liability – continued**

The Company has entered into leases for its manufacturing and office space as follows:

Location	Type	Liability
Cerritos, California	Manufacturing and office	\$ 4,028,402
Cerritos, California	Warehouse	225,977
Brampton, Ontario	Manufacturing and office	1,550,608
Brampton, Ontario	Equipment purchase	56,182
Nashua, New Hampshire	Manufacturing and office	164,992
		<b>\$ 6,026,161</b>

The incremental borrowing rate used to calculate the lease liabilities was 9%. Additionally, recorded in the cost of sales, the Company is responsible for all building operating costs including real estate taxes and insurance. The total estimated quarterly amount of real estate taxes and insurance included in the financial statements is \$62,882 document (2022 - \$54,809).

Future minimum lease payments are as follows:

2023	222,564
2024	890,046
2025	902,591
2026	785,787
2027-2031	<u>3,493,750</u>
Total	<b>\$6,294,738</b>

**9. Share Capital**

a) Authorized: Unlimited number of common shares with no par value

b) Issued:

	Number of Shares	Amount
Issued and outstanding December 31, 2021	14,412,564	\$10,266,560
Issued for private placement <sup>(i)</sup>	1,000,000	985,883
Issued and outstanding September 30, 2023	<u>15,412,564</u>	<u>\$11,252,443</u>

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**9. Share Capital – continued**

(i) In February 2022, the Company issued 1,000,000 shares in a private placement at a value of CAD\$ 1.25 per share.

c) Share Options:

The Company established a share option plan for employees, directors and consultants on September 15, 1997. Under this plan, the Company is authorized to issue options up to 10% of the outstanding number of issued and outstanding shares. From grant date, options vest at one-third of the total grant annually with an expiration term of 5 years.

The Company has granted share options to directors, consultants, and employees of the Company as follows:

	Number	Option Price per Share Range	Weighted Average Exercise Price
<b>Options outstanding at December 31, 2021, and September 30, 2022</b>	<b>1,046,000</b>	<b>CAD \$0.76 to \$1.85</b>	<b>CAD \$0.97</b>
Options – expired	(81,000)	CAD \$1.40 to \$2.00	CAD \$1.85
Options – granted	50,000	CAD \$0.60 to \$.89	CAD \$0.76
<b>Options outstanding at December 31, 2022</b>	<b>1,015,000</b>	<b>CAD \$0.60 to \$1.37</b>	<b>CAD \$0.89</b>
<b>Options outstanding at September 30, 2023</b>	<b>1,015,000</b>	<b>CAD \$0.60 to \$1.37</b>	<b>CAD \$0.89</b>

The Company did not grant options during the three months ended September 30, 2023.

The options that are outstanding at September 30, 2023, are summarized as follows:

Options Outstanding	Option Price	Weighted Average Exercise Price of Options Outstanding	Weighted Average Remaining Contractual Life
140,000	CAD \$0.76	CAD \$0.76	3.17 years
875,000	CAD \$0.90-\$0.92	CAD \$0.91	1.87 years
1,015,000	CAD \$0.76-\$0.92	CAD \$0.89	1.93 years
Options Vested	Option Price	Weighted Average Exercise Price of Options Currently Exercisable	Weighted Average Remaining Contractual Life
575,000	CAD \$0.90	CAD \$0.90	1.16

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**9. Share Capital – continued**

In estimating expected stock price volatility at the time of a particular share option grant, the Company relies on observations of historical volatility trends. Share-based compensation expense in relation to the options for the three months ended September 30, 2023, was \$21,401 (2022- \$21,074). The fair value of the options granted was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	3.54%
Expected life (years)	5
Volatility rate (%)	60.61%
Dividend yield (%)	0.00%
Forfeiture rate (%)	0.00%

**Warrants:**

The Company initiated a long-term stock warrant plan in the third quarter of 2018 for key management and employees. The stock warrant plan is monitored by the Board of Directors who determine the strike price and vesting terms of warrants issued.

	Number	Warrant Price Per Share Range	Weighted Average Exercise Price
Warrants outstanding at December 31, 2019, December 31, 2020	1,200,000	CAD \$1.27 to \$2.26	CAD \$1.67
Warrants granted 2021	200,000	CAD \$0.95	CAD \$0.95
Total warrants outstanding December 31, 2021, and December 31, 2022	1,400,000	CAD \$0.95 to \$2.26	CAD \$1.59
Warrants exercisable at September 30, 2023	530,000	CAD \$0.95 to \$1.55	CAD\$1.16

The warrants that are outstanding as of September 30, 2023, are summarized as follows:

Warrants Outstanding	Warrant Exercise Price	Weighted Average Remaining Life
200,000	CAD \$0.95	3.22 years
200,000	CAD \$1.27	2.98 years
125,000	CAD \$1.27	2.98 years
175,000	CAD \$1.41	2.98 years
200,000	CAD \$1.55	2.98 years
250,000	CAD \$1.98	2.98 years
250,000	CAD \$2.26	2.98 years
1,400,000	CAD \$1.59	3.01 years

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**9. Share Capital – continued**

On December 20, 2021, the Company granted 200,000 stock warrants to Cypress for advisory services in connection with the acquisition of DP Cast. The warrants vested immediately, had a fair value of \$77,206, were fully expensed in 2021, and expire on December 20, 2026. The fair value of the warrants granted was estimated using the Black-Scholes option pricing model with the following assumptions:

Number of warrants	200,000
Weighted average exercise price	CAD \$0.95
Weighted average risk-free interest rate	1.17%
Weighted average expected life (years)	5
Weighted average volatility rate	64.00%
Weighted average dividend yield	0.00%
Weighted average forfeiture rate	0.00%

700,000 of the warrants outstanding have exercise prices ranging from CAD \$1.27 – CAD \$2.26 and vest upon meeting escalating cumulative three-year EBITDA targets on dates ranging from December 31, 2021, to December 31, 2024. The Company has determined that the EBITDA targets are not expected to be met and, therefore, no expense has been recorded.

Total share-based compensation expense recognized in relation to warrants was \$705 in the three months ended September 30, 2023 (2022 - \$1,548).

**10. Contributed Surplus**

The following is a continuity schedule of contributed surplus:

	<b>September 30, 2023</b>	September 30, 2022
Balance, beginning of year	<b>\$ 2,185,578</b>	\$ 2,083,436
Share-based compensation (Note 10(c), (d))	<b>66,318</b>	80,036
Balance, end of period	<b>\$2,251,896</b>	\$ 2,163,472

**11. Loss per Common Share**

The basic (loss)income per common share is calculated using net (loss)income divided by the weighted-average number of common shares outstanding. The diluted (loss)income per common share is calculated using net (loss)income divided by the weighted-average number of diluted common shares outstanding, as adjusted with the treasury stock method.

1,015,000 options (2022 – 1,046,000) and 1,400,000 warrants (2022 – 1,400,00) were excluded in calculating the weighted-average number of diluted common shares outstanding for the nine months ended September 30, 2023, and 2022 because the Company was in a net loss position for the three months ended September 30, 2023, and 2022.

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## 12. Segment Information

The Company has its operations and subsidiaries in the United States and Canada. All sales are conducted in the United States.

	United States	Canada	Total
<b>For the nine months ended September 30, 2023</b>			
Revenue	\$ 6,408,047	\$ 2,688,815	\$ 9,096,862
Net income/(loss)	847,786	(1,234,671)	(386,885)
Long term assets	6,975,0122	5,498,863	12,473,875
<b>For the nine months ended September 30, 2022</b>			
Revenue	\$ 5,087,656	\$ 2,937,372	\$ 8,025,028
Net loss	(371,808)	(1,165,774)	(1,537,582)
Long term assets	6,306,422	6,652,588	12,959,010

## 13. Financial Instruments

The financial instruments of the Company consist of cash, accounts receivable, due from related parties, investment, accounts payable and accrued liabilities, and bank indebtedness.

	September 30, 2023		December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>At FVTPL</b>				
Cash	\$ 1,305,512	\$ 1,305,512	\$ 1,328,430	\$ 1,328,430
<b>At FVOCI</b>				
Investment	1,020,423	1,020,423	487,704	487,704
<b>At Amortized cost</b>				
Accounts receivable	2,118,746	2,118,746	2,268,442	2,268,442
Due from related parties	-	-	2,000	2,000
Accounts payable and accrued liabilities	1,316,364	1,316,364	1,329,265	1,329,265

The table below sets out fair value measurements using the fair value hierarchy.

	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Cash	\$ 1,305,512	\$ 1,305,512	\$ -	\$ -
Investment	1,020,423	1,020,423	-	-

There have been no transfers during the period between Levels 1 and 2.

The carrying values of accounts receivable, accounts payable and accrued liabilities, and finance guarantee liability approximate their fair value due to their short-term nature.



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### 13. Financial Instruments – continued

The carrying value of the Company's due from related parties approximate their fair values due to the amounts being due on demand, and the carrying value of bank indebtedness approximates fair value due to a market rate of interest being charged.

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations exposes the Company to various risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. The Company does not use off statement of financial position contracts to manage these risks.

#### Foreign Currency Risk

The Company has foreign currency exposure through its DP Cast subsidiary which has a functional currency of Canadian dollars. The Company manages its foreign currency risk through natural hedges of its current assets and current liability positions where possible.

#### Other Price Risk

The Company has financial instruments that may fluctuate in value as a result of changes in market price. The Company has an investment in shares of California Nano. This investment is recorded on the consolidated statements of financial position at fair value as of the statement of financial position date with changes from the prior period's fair value reported in OCI. As at September 30, 2023, a 1% change in the price of the investment would have an impact of \$5,325 annually (December 31, 2022 - \$4,877).

#### Liquidity Risk

The Company had \$1,305,512 in cash on hand at September 30, 2023, and had no borrowing at September 30, 2023, or December 31, 2022. If the Company should need additional liquidity, it would pursue asset-based lending secured by its assets.

The following table provides an analysis of the financial liabilities based on the remaining terms of the liabilities as at:

	≤ 1 year	> 1 year ≤ 3 years	> 3 years ≤ 4 years	> 5 years	Total
<b>September 30, 2023</b>					
Accounts payable and accrued liabilities	\$ 1,316,364	\$ -	\$ -	\$ -	\$ 1,4316,364
<b>Total</b>	<b>\$ 1,316,364</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,416,820</b>
<b>December 31, 2022</b>					
Accounts payable and accrued liabilities	\$ 1,329,265	\$ -	\$ -	\$ -	\$ 1,329,265
<b>Total</b>	<b>\$ 1,329,265</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,329,265</b>

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### 13. Financial Instruments – continued

#### Credit Risk

The Company manages credit risk over cash by maintaining its bank accounts with large financial institutions. The Company manages credit risk over accounts receivable by dealing with financially sound customers, based on an evaluation of the customer's financial condition. For the nine months ended September 30, 2023, the Company had one customer who each accounted for in excess of 10% of revenue for \$1,783,335 or 20% of sales (September 30, 2022 – one customer totaling \$1,353,715 million or 17% of sales). The maximum exposure to credit risk is the carrying value of cash, accounts receivable and due from related parties. The table below provides an analysis of the age of accounts receivable from invoice date, which are not considered impaired.

	Total	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days
<b>September 30, 2023</b>	<b>\$ 2,118,746</b>	<b>\$ 1,380,578</b>	<b>\$ 521,114</b>	<b>\$ 146,547</b>	<b>\$ 70,507</b>
December 31, 2022	\$ 2,268,442	\$ 1,297,490	\$ 605,554	\$ 234,191	\$ 131,207

### 14. Capital Disclosures

The objective for managing the Company's capital structure is to ensure that the Company has the financial capacity, liquidity and flexibility to fund expansion projects and product development efforts. The capital structure of the Company consists of cash and equity comprised of issued capital, contributed surplus and retained earnings. The Company generally relies on operating cash flows and its revolving line of credit to fund the expansion and product development. The Company's financing needs depend on the timing of expected net cash flows from new products and sales of current products. This requires the Company to maintain financial flexibility and liquidity. The Company's capital management policies are aimed at: Maintaining an appropriate balance between short-term borrowings, long-term debt and shareholders' equity; maintaining sufficient undrawn committed credit capacity to provide liquidity; ensuring ample covenant room to draw credit lines as required; and ensuring the Company maintains a credit rating that is appropriate for their circumstances. The Company monitors the leverage in its capital structure by reviewing the ratio of net debt to cash flow from operating activities and interest coverage ratios.

### 15. Subsequent Events

None.