MISSION READY SERVICES INC.

Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2018

(Expressed in Canadian dollars)

NOTICE TO READER

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

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

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

MISSION READY SERVICES INC.
Condensed Consolidated Interim Statement of Financial Position
As at March 31, 2018 and December 31, 2017
(Expressed in Canadian dollars)

	Notes	March 31, 2018	December 31, 2017
		$	$ (Audited)
ASSETS			
Current Assets			
Cash		**971,334**	2,319,459
Trade and other receivables		**1,043,070**	620,311
GST recoverable		**20,816**	15,455
Inventories		**434,358**	383,870
Prepaid expenses and deposits		**111,331**	60,469
		2,580,909	3,399,564
Property and equipment	4	**567,443**	589,674
Intangible assets	5	**1,384,177**	1,374,510
		4,532,529	5,363,748
LIABILITIES			
Current Liabilities			
Trade and other payables		**1,213,737**	1,070,755
Convertible debentures	7	**301,738**	270,695
Current portion of equipment loans payable	8	**52,812**	71,732
Due to related parties	9	**48,063**	96,029
		1,616,350	1,509,211
Equipment loans payable	8	**11,041**	13,207
		1,627,391	1,522,418
SHAREHOLDERS' EQUITY			
Share capital	10	**19,651,503**	19,588,331
Share subscriptions receivable	10	**-**	(91,500)
Reserves	10	**4,253,188**	3,928,487
Equity component of convertible debentures	7	**26,891**	26,891
Deficit		**(21,026,444)**	(19,610,879)
Total equity		**2,905,138**	3,841,330
		4,532,529	5,363,748

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Approved and authorized for issuance by the Board of Directors on May 29, 2018:

Approved on Behalf of the Board of Directors:

"Vitor M. Fonseca"
Director

"Jeffery L. Schwartz"
Director

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

MISSION READY SERVICES INC.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
For the three months ended March 31, 2018 and 2017
(Expressed in Canadian dollars)

	Notes	**Three months ended March 31, 2018**	Three months ended March 31, 2017
		$	$
Revenue		**1,330,505**	977,427
Cost of goods sold		**(1,136,416)**	-
Gross profit		**194,089**	977,427
General and administrative expenses			
Amortization and depreciation	4 and 5	**67,000**	103,256
Bank charges and interest		**6,821**	10,692
Computer services & software		**24,171**	600
Corporate governance costs		**38,425**	26,829
Insurance		**42,797**	23,286
Marketing and promotion		**23,636**	6,035
Office and miscellaneous		**60,989**	27,121
Professional fees		**469,643**	3,779
Rent and utilities		**85,704**	75,867
Royalty fees		**485**	2,208
Supplies and materials		**32,306**	383,866
Travel		**94,309**	73,007
Wages, benefits and contract services		**536,191**	882,276
Total expenses		**(1,482,477)**	(1,618,822)
Other items			
Foreign exchange gain or (loss)		**246**	(5,556)
Finance expenses		**(32,541)**	(37,277)
Settlement of legal claim	16	**(94,882)**	-
Total other items		**(127,177)**	(42,833)
Net loss		**(1,415,565)**	(684,228)
Foreign currency translation adjustments		**325,520**	(28,633)
Comprehensive loss		**(1,090,045)**	(712,861)
Basic and diluted loss per common share		**(0.01)**	(0.01)
Weighted average number of common shares outstanding		**123,858,307**	78,053,057

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

MISSION READY SERVICES INC.
Condensed Consolidated Interim Statement of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Share Capital								
	Number of Shares	Amount	Share subscriptions received (receivable)	Equity component – Debentures	Stock options reserves	Warrants reserves	Foreign currency translation reserve	Accumulated Deficit	Total
		$	$	$	$	$	$	$	$
Balance, December 31, 2016	**78,729,412**	**12,829,202**	**100,000**	**-**	**653,657**	**84,751**	**804,031**	**(13,548,267)**	**923,374**
Shares issued for cash	4,660,000	446,320	(100,000)	-	-	-	-	-	346,320
Share issuance costs	-	(16,909)	-	-	-	6,470	-	-	(10,439)
Exercise of warrants	27,675	2,537	-	-	-	(2,537)	-	-	-
Fair value of stock options cancelled	-	-	-	-	(20,135)	-	-	20,135	-
Comprehensive loss	-	-	-	-	-	-	(28,633)	(684,228)	(712,861)
Balance, March 31, 2017	**83,417,087**	**13,261,150**	**-**	**-**	**633,522**	**88,684**	**775,398**	**(14,212,360)**	**546,394**
Balance, December 31, 2017	**123,734,334**	**19,588,331**	**(91,500)**	**26,891**	**3,223,201**	**58,693**	**646,593**	**(19,610,879)**	**3,841,330**
Subscriptions received	-	-	91,500	-	-	-	-	-	91,500
Shares issued for debt	855,000	42,750	-	-	-	-	-	-	42,750
Exercise of options	87,929	18,924	-	-	(819)	-	-	-	18,105
Conversion of convertible debentures	14,979	1,498	-	-	-	-	-	-	1,498
Comprehensive loss	-	-	-	-	-	-	325,520	(1,415,565)	(1,090,045)
Balance, March 31, 2018	**124,692,242**	**19,651,503**	**-**	**26,891**	**3,222,382**	**58,693**	**972,113**	**(21,026,444)**	**2,905,138**

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

MISSION READY SERVICES INC.
Condensed Consolidated Interim Statements of Cash Flows
For the three months ended March 31, 2018 and 2017
(Expressed in Canadian dollars)

	Three months ended March 31, 2018	Three months ended March 31, 2017
	$	$
Operating activities		
Net loss	**(1,415,565)**	(684,228)
Adjustments for non-cash items:		
Amortization and depreciation	**67,000**	103,256
Accrued interest	**32,541**	-
Change in non-cash working capital components:		
Trade and other receivables	**(422,759)**	(52,783)
GST recoverable	**(5,361)**	(2,158)
Inventories	**(50,488)**	(2,700,506)
Prepaid expenses and deposits	**(50,862)**	(92,966)
Trade and other payables	**142,982**	261,278
Asset purchase payable	**-**	(1,280)
Due to related parties	**(5,216)**	(44,280)
Net cash used in operating activities	**(1,707,728)**	(3,213,667)
Investing activities		
Acquisition of property and equipment – net	**-**	(174,104)
Acquisition of intangible assets	**-**	(2,824,500)
Net cash used in investing activities	**-**	(2,998,604)
Financing activities		
Shares issued for cash – net	**-**	331,948
Share subscriptions received	**91,500**	-
Exercise of options	**18,105**	-
Bank loan	**-**	246,893
Promissory notes payable		5,583,259
Net proceeds (repayments) on loans payable	**(21,086)**	(22,699)
Net cash provided by financing activities	**88,519**	6,139,401
Increase (decrease) in cash	**(1,619,209)**	(72,870)
Effect of exchange rate changes on cash	**271,084**	20,253
Cash, beginning	**2,319,459**	142,210
Cash, ending	**971,334**	89,593

Cash paid (recovered) for interest expense	**-**	(19,103)
Cash paid for income taxes	**-**	-

Supplemental Information with Respect to Cash Flows (Note 13)

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

1. NATURE OF OPERATIONS AND GOING CONCERNS

Mission Ready Services Inc. (the "Company") is governed by the Business Corporations Act (British Columbia). The head office is located at Suite 804 – 750 West Pender Street, Vancouver, B.C., Canada, V6C 2T7. The Company's common shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "MRS".

The Company provides services and products for the global defense, security, and protective services agencies including: decontamination, cleaning and repair services of protective services gear; manufacturing of military and law enforcement personnel protective equipment; and research and development of new and advanced technologies relating to defense and security-related products. During the first quarter of 2017, the Company closed the manufacturer's representation division of its business to concentrate on the sales of the Company's own and acquired products.

The Company's ability to continue as a going concern is dependent upon its ability to generate profits from its operations and the continuing financial support of its shareholders and related parties to finance its operations and expansion activities. From inception to March 31, 2018, the Company has incurred losses from operations and has net accumulated losses of $21,026,444 and working capital of $964,559 as at March 31, 2018. Although the Company has raised funds in the past, there can be no assurance the Company will be able to secure sufficient debt or equity financing for its working Capital and expansion activities, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable level of operations.

The current cash resources are not adequate to pay the Company's current liabilities and to meet its minimum commitments at the date of these financial statements; accordingly, there is significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the amounts or classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. BASIS OF PRESENTATION

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standards 34 - *Interim Financial Reporting* of the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretation Committee ("IFRIC"). The consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as at and for the year ended December 31, 2017.

These condensed consolidated interim financial statements are prepared on a historical cost basis except for certain financial instruments as described at Note 14, which are stated at their fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. BASIS OF PRESENTATION (continued)

Basis of consolidation

Consolidated financial statements include the assets, liabilities and results of operations of all entities controlled by the Company. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the Company's the consolidated financial statements. Where control of an entity is obtained during a financial year, its results are included in the consolidated statements of comprehensive loss from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control exists.

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries as follows:

Name	Country of incorporation	Holding	Functional currency
Mission Ready Holdings Ltd.	Canada	100.0%	Canadian dollar
Mission Ready Aeronautics Ltd.	Canada	100.0%	Canadian dollar
Mission Ready Holdings USA Inc.	United States	100.0%	U.S. dollar
10-20 Services Inc.	United States	100.0%	U.S. dollar
Protect The Force Inc.	United States	100.0%	U.S. dollar
No Contact, LLC	United States	100.0%	U.S. dollar
PTF Manufacturing Inc.	United States	100.0%	U.S. dollar

3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of these consolidated financial statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgements and estimates. The consolidated financial statements include judgements and estimates which, by their nature, are uncertain. The impacts of such judgements and estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of judgements and estimates that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. Management monitors future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates (continued)

ii) Impairment of property and equipment and intangible assets

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. In addition, when determining the applicable discount rate, estimation is involved in determining the appropriate adjustments to market risk and asset specific risk factors. These assumptions relate to future events and circumstances. Actual results may vary and may cause significant adjustments to the Company's assets within the next financial year.

iii) Useful lives of property and equipment and intangible assets

Management reviews the useful lives of property and equipment and intangible assets at each reporting date, based on the expected utility of these assets to the Company. The useful lives of these assets may be shortened due to future technological developments.

iv) Business combination

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in the income statement in the subsequent period.

Changes in accounting policies

i) IFRS 9 – Financial Instruments

The Company adopted IFRS 9, which replaced IAS 39 – Financial Instruments: Recognition and Measurement, in its financial statements beginning January 1, 2018. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities, however it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

Under IFRS 9 there are three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and lost ("FVTPL"). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. IFRS replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measure at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The adoption of IFRS 9 did not have a material impact on the Company's financial statements.

(Expressed in Canadian dollars)

ii) IFRS 15 – Revenue from contracts with customers

On May 28, 2014 the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations.

The adoption of IFRS 15 did not impact the cumulated revenue recognized or the related assets and liabilities on the transition date.

Future changes in accounting policies

i) IFRS 16 – Leases

On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for reporting periods beginning on or after January 1, 2019, with early application permitted.

The Company is currently assessing the impact of the adoption of IFRS 16.

4. PROPERTY AND EQUIPMENT

	Wash & Other Equipment	Computer Equipment	Leasehold Improvements	TOTAL
	$	$	$	$
COSTS				
Balance, December 31, 2016	**1,075,410**	**45,387**	**172,736**	**1,293,533**
Additions	101,206	15,924	-	117,130
Foreign currency adjustments	(74,080)	(2,528)	(11,347)	(87,955)
Balance, December 31, 2017	**1,102,536**	**58,783**	**161,389**	**1,322,708**
Additions	-	-	-	-
Foreign currency adjustments	31,903	1,211	4,670	37,784
Balance, March 31, 2018	**1,134,439**	**59,994**	**166,059**	**1,360,492**
ACCUMULATED DEPRECIATION				
Balance, December 31, 2016	**458,998**	**27,681**	**121,472**	**608,151**
Depreciation	129,745	7,017	33,413	170,175
Foreign currency adjustments	(34,424)	(1,754)	(9,114)	(45,292)
Balance, December 31, 2017	**554,319**	**32,944**	**145,771**	**733,034**
Depreciation	27,745	2,402	8,139	38,286
Foreign currency adjustments	16,545	801	4,383	21,729
Balance, March 31, 2018	**598,609**	**36,147**	**158,293**	**793,049**
NET BOOK VALUE				
Balance, December 31, 2017	548,217	25,839	15,618	589,674
Balance, March 31, 2018	**535,830**	**23,847**	**7,766**	**567,443**

(Expressed in Canadian dollars)

5. INTANGIBLE ASSETS

	Product Development Costs	Licenses & Certifications	Patents	TOTAL
	$	$	$	$
COSTS				
Balance, December 31, 2016	**1,191,308**	**231,905**	**435,224**	**1,858,437**
Foreign currency adjustments	(78,256)	(5,380)	(28,589)	(112,225)
Balance, December 31, 2017	**1,113,052**	**226,525**	**406,635**	**1,746,212**
Foreign currency adjustments	32,208	2,214	11,766	46,188
Balance, March 31, 2018	**1,145,260**	**228,739**	**418,401**	**1,792,400**
ACCUMULATED AMORTIZATION				
Balance, December 31, 2016	**29,782**	**102,942**	**136,013**	**268,737**
Amortization	57,610	27,409	32,379	117,398
Foreign currency adjustments	(3,913)	(486)	(10,034)	(14,433)
Balance, December 31, 2017	**83,479**	**129,865**	**158,358**	**371,702**
Amortization	14,032	6,796	7,886	28,714
Foreign currency adjustments	2,701	364	4,742	7,807
Balance, March 31, 2018	**100,212**	**137,025**	**170,986**	**408,223**
NET BOOK VALUE				
Balance, December 31, 2017	1,161,526	128,963	299,211	1,589,700
Balance, March 31, 2018	**1,045,048**	**91,714**	**247,415**	**1,384,177**

a) Product Developments Costs

The Company has capitalized wages, materials, and direct costs related to the development of its proprietary protective services gear including the No Contact riot shield cover, Ballistic Combat Shirt, and Flex9Armor Tactical Police Shirt. Commencing in 2016, these capitalized costs are amortized on a straight-line basis over 20 years being the estimated useful life of the underlying patents pending.

b) License and Certifications

On August 31, 2011, the Company acquired the worldwide license to use certain patents and trademarks relating to a proprietary wash technology (the “Esporta License”) for an indefinite term for cash consideration of $150,000. The Esporta License is subject to a royalty of 5% on the gross receipts from each sale or license of a product or service provided by the Company in connection with the use of the Esporta License. The Esporta License is amortized on a straight-line basis until the expiry of the underlying patent on August 18, 2019.

On September 19, 2016, the Company acquired certain certifications that comply with the U.S. National Institute of Justice standard for ballistic resistance of body armor (Note 6). The certifications are amortized on a straight-line basis over the same period as the No Contact patent (Note 5(c)) until November 1, 2025

5. INTANGIBLE ASSETS (continued)

c) Patents

In 2012, the Company acquired No Contact, LLC which carries on the business of research and development activities focused on wearable technologies synthesizing advanced textiles with electronics and computation for personal protection and safety, and has a patent to this proprietary technology. The Company allocated the purchase price of US$275,000 to the patent acquired. The patent is amortized on a straight-line basis over its useful life until its expiry on November 1, 2025.

6. ASSET ACQUISITION OF WILD THINGS, LLC

On March 8, 2017, Wild Things USA Inc., a wholly-owned subsidiary of the Company, acquired the business of Wild Things, LLC and certain assets including inventories, manufacturing equipment, patents, material contracts, intellectual property, current outstanding purchase orders and the 2017 sales pipeline.

In September 2017, the Company declined the Wild Things, LLC acquisitions and paid the break-fee of US$200,000.

7. CONVERTIBLE DEBENTURES

On April 25, 2017, the Company reached an agreement with First Republic Capital Corporation for a brokered private placement whereby the Company proposes to raise up to $1,500,000 through the issuance of secured convertible debentures of the Company.

Each debenture is convertible at the option of the holder, in whole or in part, into units consisting of one common share and one share purchase warrant at a price of $0.10 per unit. Each Debenture will mature twelve months from the date of issuance and contains a clause entitling the holder at its option to extend the maturity date of the debenture for a further 12 months on terms acceptable to the TSX-V at the time of the extension.

The debentures bear interest at a rate of 15% per annum, accrued and payable on the maturity date. The debenture is subject to a default clause whereby if the Company issues shares for at a price per share less than the conversion price during the term of the debenture this will be treated as a default and all amounts due under the debenture will become payable.

Each share purchase warrant that is issued as a result of any conversion is exercisable by the holder to acquire one common share of the Corporation for a period of 36 months from the date of conversion at an exercise price of $0.15 per share.

The Company has entered into a general security agreement in first ranking on the assets of the Company and its subsidiaries in Canada and the United States, which secures the obligations of the Company to the debenture holders.

Subsequent to the agreement, the Company completed the first tranche of the debenture financing and raised gross proceeds of $800,000. The Company paid finder’s fee of $40,000 and issued 800,000 finder’s warrants. Each finder’s warrant is exercisable into one common share and one share purchase warrant at $0.10 per unit for a period of 24 months. Each share purchase warrant that is issued as a result of the exercise of the finder’s warrant will entitle the holder to acquire one additional common share of the Company at $0.15 per share for a period of 36 months.

(Expressed in Canadian dollars)

7. CONVERTIBLE DEBENTURES (continued)

During the year ended December 31, 2017, a total of $557,534 was converted into common shares of the Company (Note 10).

During the three months ended March 31, 2018, a total of $1,498 was converted into common shares of the Company (Note 10).

Subsequent to March 31, 2018, all remaining amount, including interests, was converted into common shares of the Company (Note 17).

8. EQUIPMENT LOANS PAYABLE

On September 30, 2013, the Company received an equipment financing loan of US$245,071 from Aztec Financial, LLC. The loan is repayable in 60 monthly installments of US$4,936 including interest at the rate of 8.00%. The loan is secured by the Company's wash equipment located at Fayetteville, North Carolina in the United States.

On November 11, 2013, the Company received a vehicle financing loan of US$24,108 from Aztec Financial, LLC. The loan is repayable in 60 monthly installments of US$486 including interest at the rate of 7.87%. The loan is secured by the Company's vehicle in the United States.

On May 14, 2015, the Company received a vehicle financing loan of US$31,640 from Aztec Financial, LLC. The loan is repayable in 60 monthly installments of US$658 including interest at the rate of 8.51%. The loan is secured by the Company's vehicle in the United States.

As at March 31, 2018 and December 31, 2017, the outstanding loans payable was $63,853 (US$49,468) and $84,940 (US$67,708) respectively.

Future principal repayments are summarized as follows:

	US$	CAD$
Within 1 year	40,914	52,812
1 – 2 years	8,554	11,041
	49,468	**63,853**

(Expressed in Canadian dollars)

9. RELATED PARTIES

Details of transactions between the Company and other related parties, in addition to those transactions disclosed elsewhere in these consolidated financial statements, are described as follows.

a) Compensation of Key Management Personnel

The compensation paid or payable to directors and key management personnel, including consulting and professional fees for administrative, management, accounting, and legal services provided by these related parties, during the three months ended March 31, 2018 and 2017 are as follows:

	March 31, 2018 $	March 31, 2017 $
Salaries and other short-term employee benefits	111,116	262,680
Director fees	24,000	22,000
Other fees and expenses	-	3,693
	135,116	288,373

All related party transactions were in the ordinary course of business and were measured at their exchange amount as agreed between the related parties

b) Related Party Balances

As at March 31, 2018 and December 31, 2017, the Company has the following amounts owed to related parties that are noninterest bearing, unsecured, and have no specified terms of repayment.

	March 31, 2018 $	December 31, 2017 $
Director fees payable	24,000	24,000
Due to officers and former officers	24,063	72,029
	48,063	96,029

10. SHARE CAPITAL

a) Authorized Share Capital

The Company is authorized to issue an unlimited number of common shares without par value.

b) Issued and Outstanding Common Shares

On January 11, 2017, the Company issued 4,660,000 units at $0.10 per unit for total gross proceeds of $466,000, of which $100,000 was received by the Company as at December 31, 2016. Each unit consists of one common share and one share purchase warrant exercisable at $0.15 per share until December 21, 2018. Finder's fee of $19,680 was paid and 196,800 finder's warrants were issued with the same terms as the private placement warrants.

On January 25, 2017, the Company issued 27,675 common shares on the exercise of finder's warrants for $0.06 per share for total proceeds of $1,660.

On September 12, 2017, the Company issued a total of 1,942,920 common shares on the exercise of warrants, finder's warrants and finder's unit warrants at $0.06 or $0.15 per share for total proceeds of $285,607.

On September 14, 2017, the Company issued a total of 2,136,707 common shares on the exercise of warrants and finder's unit warrants at $0.15 per share for total proceeds of $320,506.

On September 15, 2017, the Company issued a total of 3,448,415 common shares on the exercise of warrants and finder's warrants at $0.06 or $0.15 per share for total proceeds of $435,835.

On September 22, 2017, the Company issued 6,600,000 units at $0.25 per unit for total gross proceeds of $1,650,000. Each unit consists of one common share and one share purchase warrant exercisable at $0.50 per share until September 22, 2019. Finder's fee of $92,810 was paid and 184,820 finder's warrants were issued with the same terms as the private placement warrants.

On September 27, 2017, the Company issued a total of 1,867,000 common shares on the exercise of warrants at $0.15 per share for total proceeds of $280,050.

In September 2017, the Company issued 5,275,343 common shares on the conversion of a convertible debenture, including interests (Note 7).

On October 3, 2017, the Company issued a total of 1,723,707 common shares on the exercise of warrants, finder's warrants and finder's unit warrants at $0.06 or $0.15 per share for total proceeds of $242,647.

On October 16, 2017, the Company issued a total of 1,892,000 common shares on the exercise of warrants at $0.15 per share for total proceeds of $283,800.

On October 26, 2017, the Company issued a total of 250,000 common shares on the exercise of finder's unit warrants at $0.15 per share for total proceeds of $37,500.

10. SHARE CAPITAL (continued)

b) Issued and Outstanding Common Shares (continued)

On November 20, 2017, the Company issued a total of 2,328,147 common shares on the exercise of warrants and finder's unit warrants at $0.15 per share for total proceeds of $349,222.

On November 23, 2017, the Company issued a total of 4,302,167 common shares on the exercise of warrants at $0.15 per share for total proceeds of $645,325.

On December 5, 2017, the Company issued a total of 1,819,342 common shares on the exercise of warrants and finder's unit warrants at $0.15 per share for total proceeds of $272,901.

On December 11, 2017, the Company issued a total of 4,019,833 common shares on the exercise of options, warrants, finder's warrants and finder's unit warrants at $0.06, $0.10, $0.15 or $0.25 per share for total proceeds of $606,625.

On December 18, 2017, the Company issued a total of 1,751,666 common shares on the exercise of warrants and finder's warrants at $0.10 or $0.15 per share for total proceeds of $257,750, of which $6,500 was received subsequent to the year end.

On January 15, 2018, the Company issued a total of 35,132 common shares on the exercise of options from $0.20 to $0.35 per share for total proceeds of $7,441.

On February 6, 2018, the Company issued a total of 14,979 common shares on the conversion of interest on convertible debenture at $0.10 per share.

On March 14, 2018, the Company issued a total of 52,797 common shares on the exercise of options at $0.20 per share for total proceeds of $10,665.

On March 19, 2018, the Company issued a total of 855,000 common shares to settle an amount due to a related party for past services.

c) Stock Options

Under the Company's stock option plan, the maximum number of shares that may be reserved for issuance is limited to 20% of the issued and outstanding common shares of the Company at any time. Under the plan, the exercise price of an option may not be less than the discounted market price. The options may have a maximum term of 10 years and be vested at the discretion of the board of directors.

As at March 31, 2018, 14,694,571 options, with an average exercise price of $0.26 per share and an average remaining life of 8.62 years, have been vested.

(Expressed in Canadian dollars)

12. SHARE CAPITAL (continued)

c) Stock Options (continued)

	Three months ended March 31, 2018		Year ended December 31, 2017	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Opening	**14,782,500**	**$0.26**	4,582,500	$0.27
Granted	**-**	**-**	10,900,000	$0.25
Exercised	**(87,929)**	**$0.20**	(150,000)	$0.25
Cancelled	**-**	**-**	(550,000)	$0.25
Ending	**14,694,571**	**$0.26**	14,782,500	$0.26

As at March 31, 2018, the following options remain outstanding:

Number of options	**Exercise price**	**Expiry date**
165,000	$0.20	March 21, 2021
998,571	$0.35	May 8, 2024
25,000	$0.35	July 8, 2024
2,556,000	$0.25	September 2, 2024
150,000	$0.35	November 21, 2024
10,800,000	$0.25	September 25, 2027
14,694,571		

d) Share Purchase Warrants

	Three months ended March 31, 2018		Year ended December 31, 2017	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
Opening	**9,860,163**	**$0.27**	31,036,585	$0.26
Issued	**-**	**-**	13,720,163	$0.24
Exercised	**-**	**-**	(25,236,585)	$0.15
Expired	**-**	**-**	(9,660,000)	$0.50
Ending	**9,860,163**	**$0.27**	9,860,163	$0.27

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

d) Share Purchase Warrants (continued)

As at March 31, 2018, the following warrants remain outstanding:

Number of warrants	Exercise price	Expiry date
2,960,000	$0.15	December 21, 2018
3,484,820	$0.50	September 22, 2019
2,840,000	$0.15	September 14, 2020
275,343	$0.15	September 26, 2020
150,000	$0.15	December 11, 2020
150,000	$0.15	December 28, 2020
9,860,163		

e) Finders' Warrants

	Three months ended March 31, 2018		Year ended December 31, 2017	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
Opening	**781,620**	**$0.21**	1,308,977	$0.10
Issued	**-**	**-**	1,181,620	$0.17
Exercised	**-**	**-**	(1,588,977)	$0.07
Expired	**-**	**-**	(120,000)	$0.50
Ending	**781,620**	**$0.21**	781,620	$0.21

As at March 31, 2018, the following warrants remain outstanding:

Number of finders' warrants	Exercise price	Expiry date
196,800	$0.15	December 21, 2018
400,000	$0.10	June 7, 2019
184,820	$0.50	September 22, 2019
781,620		

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

f) Finders' Unit Warrants

	Three months ended March 31, 2018		Year ended December 31, 2017	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
Opening	**400,000**	**$0.15**	1,194,017	$0.15
Issued	**-**	**-**	400,000	$0.15
Exercised	**-**	**-**	(1,194,017)	$0.15
Ending	**400,000**	**$0.15**	400,000	$0.15

As at March 31, 2018, the following warrants remain outstanding:

Number of finders' unit warrants	**Exercise price**	**Expiry date**
400,000	$0.15	June 7, 2020
400,000		

g) Fair Value of Stock Options and Warrants

The fair value of stock options, finders' warrants and finders' unit warrants granted are estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions made during the period ended March 31, 2018:

	Three months ended March 31, 2018	**Year ended December 31, 2017**
Risk-Free Annual Interest	-	0.73% - 0.99%
Expected Volatility	-	104% - 129%
Expected Life of Option	-	2 years
Expected Annual Dividend	-	0%

The weighted average fair value of finders' warrants issued during the year ended December 31, 2017 were $0.06 per finders' warrant.

The weighted average fair value of stock options issued during the year ended December 31, 2017 were $0.25 per option.

Black-Scholes option pricing model require the input of highly subjective assumptions. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models may not necessarily provide a single reliable measure of the fair value of the Company's stock options, finders' warrants, and finders' unit warrants.

(Expressed in Canadian dollars)

11. COMMITMENTS

The Company has entered into various agreements to lease office and warehouse premises from November 1, 2011 to April 30, 2018. As at March 31, 2018, future minimum annual lease and operating costs payments are as follows:

	$
2018	86,515
2019	69,703
2020	23,234
	179,452

12. SEGMENTED INFORMATION

The assets and operations of the Company are located in Canada and the United States. The Company has two reportable business segments in the global defense, security, and first responder markets: consulting and manufacturer representation; and inspection, cleaning, and repair services of protective services gear.

For the three months ended March 31, 2018:

	Manufacturing (USA)	Research & Development (USA)	Inspection, Cleaning & Repair Services (USA)	Corporate Head Office (Canada)	TOTAL
	$	$	$	$	$
Three months ended March 31, 2018					
Revenues	591,380	653,074	86,051	-	1,330,505
Total expenses	1,508,025	605,585	311,207	321,253	2,746,070
Net loss	(916,645)	47,489	(225,156)	(321,253)	(1,415,565)
Three months ended March 31, 2017					
Revenues	592,761	109,043	275,623	-	977,427
Total expenses	948,970	215,612	308,371	188,702	1,661,655
Net loss	(356,209)	(106,569)	(32,748)	(188,702)	(684,228)
As at March 31, 2018					
Current assets	835,390	758,497	38,282	948,740	2,580,909
Total assets	1,142,175	2,058,892	348,588	982,874	4,532,529
Total liabilities	562,787	139,140	261,356	664,108	1,627,391
As at December 31, 2017					
Current assets	1,187,408	15,544	52,697	2,143,915	3,399,564
Total assets	1,500,355	1,301,522	377,864	2,184,007	5,363,748
Total liabilities	460,254	79,012	433,531	549,621	1,522,418

(Expressed in Canadian dollars)

13. SUPPLEMENTAL INFORMATION IN RESPECT TO CASH FLOWS

Non-cash investing and financing activities for the three months ended March 31, 2018 and 2017 are as follows:

	March 31, 2018	March 31, 2017
	$	$
Shares issued for debt	42,750	-
Conversion of convertible debentures	1,498	-

14. FINANCIAL INSTRUMENTS

Classification of financial instruments

As at March 31, 2018	Financial assets - FVTPL	Financial assets – amortized costs	Financial liabilities – amortized costs
	$	$	$
Cash	971,334	-	-
Trade and other receivables	-	1,043,070	-
Trade and other payables	-	-	1,213,737
Convertible debentures	-	-	301,738
Other loans payable	-	-	63,853
Due to related parties	-	-	48,063

As at December 31, 2017	Financial assets - FVTPL	Financial assets – amortized costs	Financial liabilities – amortized costs
	$	$	$
Cash	2,319,459	-	-
Trade and other receivables	-	620,311	-
Trade and other payables	-	-	1,070,755
Promissory notes payable	-	-	270,695
Other loans payable	-	-	84,939
Due to related parties	-	-	96,029

The fair value of the Company’s financial assets and liabilities approximates the carrying amount.

Management of Industry and Financial Risk

The Company is exposed to various risks in relation to financial instruments. The Company’s risk management is coordinated at its head office in Canada in close cooperation with the board of directors and focuses on actively securing the Company’s short to medium-term cash flows and raising finances for the Company’s capital expenditure program. The Company does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Company is exposed are described below.

14. FINANCIAL INSTRUMENTS (continued)

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company limits its exposure to credit loss for cash by placing its cash with high quality financial institutions and for trade receivables by performing standard credit checks. The credit risk for cash and trade receivables is considered negligible since the counterparties are reputable banks with high quality external credit ratings and customers with no history of default.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible, that it will have sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company has working capital of $964,559 as at March 31, 2018. There can be no assurance that the Company will be successful with generating and maintaining profitable operations or will be able to secure future debt or equity financing for its working capital and expansion activities.

Foreign exchange risk

The Company operates internationally and is exposed to foreign currency risk arising from currency exposures to Canadian dollars. The main currency to which the Company has an exposure is the U.S. dollar. The Company is exposed to currency risk to the extent of its cash, trade and other payables, purchase agreements payable, and loan payable that are denominated in U.S. dollars. The Company does not hedge its exposure to fluctuations in the related foreign exchange rates. The Company's exposure to currency risk is currently considered insignificant.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interests on the Company's promissory notes payable and loan payable are based on fixed rates, and as such, the Company is not exposed to significant interest rate risk.

15. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and expansion of its business and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk level.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares or debt, dispose of assets, or adjust the amount of cash and cash equivalents. There can be no assurance that the Company will be able to obtain debt or equity capital in the case of operating cash deficits

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Company does not pay out dividends in order to conserve cash reserves and to maximize ongoing development efforts. The Company's share capital is not subject to external restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future.

16. CONTINGENCY

The Company is party to litigation (the “Claim”) filed by a former 10-20 Services employee who worked at the Company’s Barstow, California location until the facility was closed due to the lease expiry and finalization of a service contract. The Company attended a mediation in December 2017 and a second mediation is scheduled for May 9, 2018. Subsequent to March 31, 2018, the Company settled the Claim for US$75,000 (Note 17). As at March 31, 2018, the Company accrued $96,810 (US$75,000) related to this Claim and is included in trade and other payables.

17. SUBSEQUENT EVENTS

On April 9, 2018, the Company issued a total of 300,000 common shares on the exercise of warrants at $0.15 per share for total proceeds of $45,000.

On April 16, 2018, the Company granted a total of 400,000 stock options to a consultant. The options are exercisable at $0.25 per share for a period of 2 years.

On April 28, 2018, the Company issued a total of 3,123,645 common shares on the conversion of all outstanding convertible debenture, including interests (Note 7).

On May 1, 2018, the Company granted a total of 1,070,000 stock options to certain directors, officers and consultants of the Company. The options are exercisable at a price of $0.25 per share for a period of 5 years.

On May 7, 2018, the Company issued a total of 1,150,000 common shares on the exercise of warrants at $0.15 per share for total proceeds of $172,500.

In May 2018, the Company the second mediation and settled the Claim for US$75,000 (Note 16). The Company has until August 30, 2018 to pay this amount.