MISSION READY SOLUTIONS INC.

Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2019

(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 SOLUTIONS INC.
Condensed Consolidated Interim Statements of Financial Position
As at June 30, 2019 and December 31, 2018
(Expressed in Canadian dollars)

	Notes	June 30, 2019	December 31, 2018
		$	$
ASSETS			
Current Assets			
Cash		**127,129**	12,490
Trade and other receivables		**1,150,048**	408,147
GST recoverable		**34,897**	22,503
Inventories	4	**1,007,412**	272,414
Prepaid expenses and deposits		**2,389,465**	76,932
		4,708,951	792,486
Property and equipment	5	**634,554**	524,147
Goodwill	17	**17,323,124**	-
Other intangible assets	6	**2,367,389**	1,369,594
		25,034,018	2,686,227
LIABILITIES			
Current Liabilities			
Bank overdraft		**-**	48,931
Trade and other payables		**6,462,655**	1,856,026
Current portion of equipment loans payable	8	**8,611**	10,772
Current portion of notes payable	17, 18	**4,562,881**	-
Due to related parties	9	**274,018**	437,651
Lease liability	11	**48,770**	-
		11,356,935	2,353,380
Equipment loans payable	8	**-**	3,591
Notes payable	17, 18	**4,502,442**	-
		15,859,377	2,356,971
SHAREHOLDERS' EQUITY			
Share capital	10	**31,128,918**	20,377,159
Reserves	10	**4,059,486**	4,417,211
Deficit		**(26,013,763)**	(24,465,114)
Total equity		**9,174,641**	329,256
		25,034,018	2,686,227

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Approved and authorized for issuance by the Board of Directors on August 29, 2019:

Approved on Behalf of the Board of Directors:

"Jeffery L. Schwartz"
Director

"Paul E. Litchfield"
Director

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

MISSION READY SOLUTIONS INC.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
For the three and six months ended June 30, 2019 and 2018
(Expressed in Canadian dollars)

	Notes	**Three months ended June 30, 2019**	Three months ended June 30, 2018	**Six months ended June 30, 2019**	**Six months ended June 30, 2018**
				$	$
Revenue		**2,271,698**	914,289	**2,764,572**	1,801,545
Cost of goods sold		**(1,730,188)**	(559,512)	**(2,095,978)**	(1,103,520)
Gross profit		**541,510**	354,777	**668,594**	698,025
General and administrative expenses					
Amortization, depreciation and accretion	5, 6, 11	**174,594**	68,753	**244,453**	135,753
Bad debt (recovery)		**(9,110)**	-	**(9,110)**	-
Interests and bank charges		**228,384**	8,240	**278,382**	15,061
Computer services & software		**12,143**	35,305	**25,304**	59,476
Consulting fees		**216,995**	153,643	**322,520**	266,886
Corporate governance costs		**125,119**	58,491	**171,246**	96,916
Insurance		**8,934**	(1,489)	**15,360**	41,308
Marketing and promotion		**16,512**	4,784	**16,837**	28,420
Office and miscellaneous		**49,738**	48,985	**74,475**	109,974
Professional fees		**133,694**	196,286	**179,188**	665,929
Rent and utilities		**51,673**	94,227	**105,966**	179,931
Royalty fees		**378**	425	**378**	910
Stock-based compensation		**-**	328,957	**-**	328,957
Supplies and materials		**2,682**	8,848	**7,009**	41,154
Travel		**27,837**	29,733	**35,221**	124,042
Wages and benefits		**463,397**	628,862	**753,564**	1,200,969
Total expenses		**(1,502,970)**	(1,664,050)	**(2,220,793)**	(3,295,686)
Other items					
Foreign exchange gain or (loss)		**(11)**	(2,272)	**(285)**	(2,026)
Other income (expenses)		**3,499**	(10,627)	**3,835**	(43,168)
Settlement of legal claim	16	**-**	-	**-**	(94,882)
Total other items		**3,488**	(12,899)	**3,550**	(140,076)
Net loss		**(957,972)**	(1,322,172)	**(1,548,649)**	(2,737,737)
Foreign currency translation adjustments		**(240,711)**	(174,141)	**(262,950)**	151,379
Comprehensive loss		**(1,198,683)**	(1,496,313)	**(1,811,599)**	(2,586,358)
Basic and diluted loss per common share		**(0.01)**	(0.01)	**(0.01)**	(0.02)
Weighted average number of common shares outstanding		**162,983,417**	127,807,513	**147,157,573**	125,862,763

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

MISSION READY SOLUTIONS INC.
Condensed Consolidated Interim Statements 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, 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
Exercise of warrants	1,450,000	217,500	-	-	-	-	-	-	217,500
Conversion of convertible debentures	3,138,624	313,863	-	-	-	-	-	-	313,863
Stock-based compensation	-	-	-	-	328,957	-	-	-	328,957
Comprehensive loss	-	-	-	-	-	-	151,379	(2,737,737)	(2,586,358)
Balance, June 30, 2018	**129,265,887**	**20,181,368**	**-**	**26,891**	**3,551,339**	**58,693**	**797,972**	**(22,348,616)**	**2,267,647**
Exercise of warrants	1,126,000	168,900	-	-	-	-	-	-	168,900
Conversion of convertible debentures	-	26,891	-	(26,891)	-	-	-	-	-
Fair value of finder's warrants expired	-	-	-	-	-	(10,698)	-	10,698	-
Stock-based compensation	-	-	-	-	104,324	-	-	-	104,324
Comprehensive loss	-	-	-	-	-	-	(84,419)	(2,127,196)	(2,211,615)
Balance, December 31, 2018	**130,391,887**	**20,377,159**	**-**	**-**	**3,655,663**	**47,995**	**713,553**	**(24,465,114)**	**329,256**
Shares to acquire Unifire, Inc. (Note 17)	26,315,790	7,631,579	-	-	-	-	-	-	7,631,579
Shares issued for cash	10,889,500	2,722,375	-	-	-	-	-	-	2,722,375
Share issuance costs	-	(103,148)	-	-	-	10,178	-	-	(92,970)
Exercise of options	350,000	171,692	-	-	(84,192)	-	-	-	87,500
Exercise of warrants	2,190,000	329,261	-	-	-	(20,761)	-	-	308,500
Comprehensive loss	-	-	-	-	-	-	(262,950)	(1,548,649)	(1,811,599)
Balance, June 30, 2019	**170,137,177**	**31,128,918**	**-**	**-**	**3,571,471**	**37,412**	**450,603**	**(26,013,763)**	**9,174,641**

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

MISSION READY SOLUTIONS INC.
Condensed Consolidated Interim Statements of Cash Flows
For the six months ended June 30, 2019 and 2018
(Expressed in Canadian dollars)

	Six months ended June 30, 2019	Six months ended June 30, 2018
	$	$
Operating activities		
Net loss	**(1,548,649)**	(2,737,737)
Adjustments for non-cash items:		
Amortization and depreciation	**244,453**	135,753
Accrued interest	**-**	43,168
Stock-based compensation	**-**	328,957
Change in non-cash working capital components:		
Trade and other receivables	**(434,073)**	(578,460)
GST recoverable	**(12,394)**	(14,915)
Inventories	**991,596**	(118,865)
Prepaid expenses and deposits	**(1,850,269)**	(35,136)
Trade and other payables	**375,445**	395,687
Lease liability	**(36,007)**	-
Due to related parties	**(160,578)**	(29,588)
Net cash used in operating activities	**(2,430,476)**	(2,611,136)
Investing activities		
Acquisition of property and equipment – net	**(11,839)**	(20,756)
Cash acquired from Unifire	**65,276**	-
Net cash provided by (used in) investing activities	**53,437**	(20,756)
Financing activities		
Share subscriptions received	**-**	91,500
Shares issued for cash	**2,722,375**	-
Exercise of options	**87,500**	18,105
Exercise of warrants	**308,500**	217,500
Repayments on notes payable	**(364,197)**	-
Repayments on loans payable	**(5,752)**	(43,818)
Net cash provided by financing activities	**2,655,456**	283,287
Increase (decrease) in cash	**278,417**	(2,348,605)
Effect of exchange rate changes on cash	**(163,778)**	58,948
Cash, beginning	**12,490**	2,319,459
Cash, ending	**127,129**	29,802

Cash paid for interest expense	**-**	-
Cash paid for income taxes	**-**	-

Supplemental Information with Respect to Cash Flows (Note 13)

1. NATURE OF OPERATIONS AND GOING CONCERNS

Mission Ready Solutions Inc. (formerly Mission Ready Services Inc.) ("**Mission Ready**" or 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 ("**TSXV**") under the symbol "MRS".

The Company innovates and manufactures leading tech-centric defense and tactical solutions to prevent injuries and enhance the performance of military personnel, first-responders and all those who serve to protect by equipping them with the next generation of personal protective technologies.

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 June 30, 2019, the Company has incurred losses from operations and has net accumulated losses of $26,013,763 and working capital deficit of $6,647,984 as at June 30, 2019. 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, 2018.

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.

(Expressed in Canadian dollars)

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 consolidated 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
Unifire, Inc.(1)	United States	100.0%	U.S. dollar

(1) Unifire, Inc. ("**Unifire**") was acquired effective April 22, 2019. These financial statements include the financial statements of Unifire from the date of acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of these condensed consolidated interim 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.

(Expressed in Canadian dollars)

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.

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.

See Notes 5 and 11 for the effect of the adoption of IFRS 16.

4. INVENTORIES

	June 30, 2019	December 31, 2018
	$	$
Raw materials	**223,045**	250,724
Finished goods	**784,367**	21,690
Total	**1,007,412**	272,414

(Expressed in Canadian dollars)

5. PROPERTY AND EQUIPMENT

	Wash & Other Equipment	Computer Equipment	Leasehold Improvements	Right-of-Use Asset	TOTAL
	$	$	$	$	$
COSTS					
Balance, December 31, 2017	**1,102,536**	**58,783**	**161,389**	**-**	**1,322,708**
Additions	31,975	-	-	-	31,975
Foreign currency adjustments	98,101	3,659	14,113	-	115,873
Balance, December 31, 2018	**1,232,612**	**62,442**	**175,502**	**-**	**1,470,556**
Additions (Note 11)	-	11,839	-	84,971	96,810
Acquired from Unifire, Inc. (Note 17)	11,880	49,424	74,160	-	135,464
Foreign currency adjustments	(50,147)	(2,072)	(7,140)	(1,593)	(60,952)
Balance, June 30, 2019	**1,194,345**	**121,633**	**242,522**	**83,378**	**1,641,878**
ACCUMULATED DEPRECIATION					
Balance, December 31, 2017	**554,319**	**32,944**	**145,771**	**-**	**733,034**
Depreciation	116,860	9,714	16,131	-	142,705
Foreign currency adjustments	54,473	2,597	13,600	-	70,670
Balance, December 31, 2018	**725,652**	**45,255**	**175,502**	**-**	**946,409**
Depreciation	50,844	10,025	4,258	33,613	98,740
Foreign currency adjustments	(29,263)	(1,436)	(6,498)	(628)	(37,825)
Balance, June 30, 2019	**747,233**	**53,844**	**173,262**	**32,985**	**1,007,324**
NET BOOK VALUE					
Balance, December 31, 2018	506,960	17,187	17,187	-	524,147
Balance, June 30, 2019	**447,112**	**67,789**	**69,260**	**50,393**	**634,554**

(Expressed in Canadian dollars)

6. INTANGIBLE ASSETS

	Product Development Costs	Licenses & Certifications	Patents	Rights	TOTAL
	$	$	$	$	$
COSTS					
Balance, December 31, 2017	**1,113,052**	**226,525**	**406,635**	**-**	**1,746,212**
Foreign currency adjustments	97,332	6,692	35,558	-	139,582
Balance, December 31, 2018	**1,210,384**	**233,217**	**442,193**	**-**	**1,885,794**
Acquired from Unifire, Inc. (Note 17)	-	-	9,630	1,210,117	1,219,747
Foreign currency adjustments	(49,244)	(3,386)	(18,183)	(24,108)	(94,921)
Balance, June 30, 2019	**1,161,140**	**229,831**	**433,640**	**1,186,009**	**3,010,620**
ACCUMULATED AMORTIZATION					
Balance, December 31, 2017	**83,479**	**129,865**	**158,358**	**-**	**371,702**
Amortization	57,481	27,388	32,307	-	117,176
Foreign currency adjustments	10,339	1,427	15,556	-	27,322
Balance, December 31, 2018	**151,299**	**158,680**	**206,221**	**-**	**516,200**
Amortization	29,582	13,820	18,225	83,346	144,973
Foreign currency adjustments	(6,708)	(944)	(8,700)	(1,590)	(17,942)
Balance, June 30, 2019	**174,173**	**171,556**	**215,746**	**81,756**	**643,231**
NET BOOK VALUE					
Balance, December 31, 2018	1,059,085	74,537	235,972	-	1,369,594
Balance, June 30, 2019	**986,967**	**58,275**	**217,894**	**1,104,253**	**2,367,389**

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. The certifications are amortized on a straight-line basis over the same period as the No Contact patent (Note 6(c)) until November 1, 2025

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.

d) Rights

On March 25, 2016, the Company purchased various assets and rights from Source One Distributors, Inc. for $1,253,600. These assets were purchased to expand access to military contracts and vendor relationships. A former shareholder of Unifire provided a loan of $1,250,000 to the Company for this purchase (Notes 17 and 18).

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 TSXV 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.

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

On February 6, 2018, a total of $1,498 was converted into common shares of the Company (Note 10).

On May 7, 2018, the Company issued a total of 3,123,645 common shares on the conversion of all outstanding convertible debenture, including interests (Note 10).

(Expressed in Canadian dollars)

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 June 30, 2019 and December 31, 2018, the outstanding loans payable was $8,611 (US$6,580) and $14,363 (US$10,528) respectively.

Future principal repayments are summarized as follows:

	US$	CAD$
Within 1 year	6,580	8,611
1 – 2 years	-	-
	6,580	**8,611**

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 six months ended June 30, 2019 and 2018 are as follows:

	June 30, 2019	**June 30, 2018**
	$	**$**
Salaries and other short-term employee benefits	296,590	217,309
Director fees	42,068	53,702
Stock-based compensation	-	156,997
	338,658	428,007

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

(Expressed in Canadian dollars)

9. RELATED PARTIES (continued)

b) Related Party Balances

As at June 30, 2019 and December 31, 2018, the Company has the following amounts owed to related parties that are noninterest bearing, unsecured, and have no specified terms of repayment.

	June 30, 2019 $	December 31, 2018 $
Director fees payable	132,324	90,523
Due to officers and former officers	141,694	347,128
	274,018	437,651

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 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 (Note 7).

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.

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 May 7, 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 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.

On July 25, 2018, the Company issued 400,000 common shares on the exercise of warrants at $0.15 per share for total proceeds of $60,000.

On December 14, 2018, the Company issued 400,000 common shares on the exercise of warrants at $0.15 per share for total proceeds of $60,000.

On December 20, 2018, the Company issued 200,000 common shares on the exercise of warrants at $0.15 per share for total proceeds of $30,000.

10. SHARE CAPITAL (continued)

b) Issued and Outstanding Common Shares (continued)

On December 21, 2018, the Company issued 126,000 common shares on the exercise of warrants at $0.15 per share for total proceeds of $18,900.

On February 15, 2019, the Company issued 1,390,000 common shares on the exercise of warrants at $0.15 per share for total proceeds of $208,500.

On March 14, 2019, the Company issued 400,000 common shares on the exercise of finders' unit warrants at $0.15 per share for total proceeds of $60,000.

On March 29, 2019, the Company issued 400,000 common shares on the exercise of finders' warrants at $0.10 per share for total proceeds of $40,000.

On April 2, 2019, the Company closed a non-brokered private placement (the "**Offering**") and issued an aggregate of 10,889,500 units at a price of $0.25 per unit for gross proceeds of $2,722,375. Each unit consisted of one common share ("**Share**") and one transferable common share purchase warrant ("**Warrant**"), with each Warrant exercisable into one Share at an exercise price of $0.40 per Share until April 2, 2020. Management of the Company acquired an aggregate of 320,000 units in the Offering. The Company has paid cash commissions of $92,970 and issued 371,880 finder's warrants to finders as compensation in relation to the Offering. Each finder's warrant is exercisable to acquire one common share at an exercise price of $0.40 per share until April 2, 2020.

On April 18, 2019, the Company issued 150,000 common shares on the exercise of options at $0.25 per share for total proceeds of $37,500.

On April 23, 2019, the Company closed the Acquisition of Unifire following the receipt of the Final Acceptance from the TSXV and issued 26,315,790 common shares valued at $7,631,579 (Note 17).

On May 15, 2019, the Company issued 100,000 common shares on the exercise of options at $0.25 per share for total proceeds of $25,000.

On May 28, 2019, the Company issued 100,000 common shares on the exercise of options at $0.25 per share for total proceeds of $25,000.

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

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 June 30, 2019, 16,464,571 options, with an average exercise price of $0.26 per share and an average remaining life of 7.17 years, have been vested.

	Six months ended June 30, 2019		Year ended December 31, 2018	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Opening	**16,664,571**	**$0.26**	14,782,500	$0.26
Granted	**-**	**-**	1,970,000	$0.25
Exercised	**(350,000)**	**$0.25**	(87,929)	$0.20
Cancelled	**-**	**-**	-	-
Ending	**16,314,571**	**$0.26**	16,664,571	$0.26

As at June 30, 2019, the following options remain outstanding:

Number of options	**Exercisable**	**Exercise price**	**Expiry date**
165,000	165,000	$0.20	March 21, 2021
400,000	400,000	$0.25	April 16, 2021
1,070,000	1,070,000	$0.25	May 1, 2023
200,000	200,000	$0.25	June 1, 2023
300,000	300,000	$0.25	June 11, 2023
998,571	998,571	$0.35	May 8, 2024
25,000	25,000	$0.35	July 8, 2024
2,456,000	2,456,000	$0.25	September 2, 2024
150,000	150,000	$0.35	November 21, 2024
10,550,000	10,550,000	$0.25	September 25, 2027
16,314,571	16,314,571		

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

d) Share Purchase Warrants

	Six months ended June 30, 2019		Year ended December 31, 2018	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
Opening	**8,588,787**	**$0.29**	9,860,163	$0.27
Issued	**10,889,500**	**$0.40**	3,138,624	$0.15
Exercised	**(1,390,000)**	**$0.15**	(2,576,000)	$0.15
Expired	**-**	**-**	(1,834,000)	$0.15
Ending	**18,088,287**	**$0.37**	8,588,787	$0.29

As at June 30, 2019, the following warrants remain outstanding:

Number of warrants	**Exercise price**	**Expiry date**
3,484,820	$0.50	September 22, 2019
10,889,500	$0.40	April 2, 2020
275,343	$0.15	September 26, 2020
150,000	$0.15	December 11, 2020
150,000	$0.15	December 28, 2020
14,979	$0.15	February 6, 2021
3,123,645	$0.15	April 28, 2021
18,088,287		

e) Finders' Warrants

	Six months ended June 30, 2019		Year ended December 31, 2018	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
Opening	**584,820**	**$0.23**	781,620	$0.21
Issued	**371,880**	**$0.40**	-	-
Exercised	**(400,000)**	**$0.10**	-	-
Expired	**-**	**-**	(196,800)	$0.15
Ending	**556,700**	**$0.43**	584,820	$0.23

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

e) Finders' Warrants (continued)

As at June 30, 2019, the following warrants remain outstanding:

Number of finders' warrants	Exercise price	Expiry date
184,820	$0.50	September 22, 2019
371,880	$0.40	April 2, 2020
556,700		

f) Finders' Unit Warrants

	Six months ended June 30, 2019		Year ended December 31, 2018	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
Opening	**400,000**	**$0.15**	400,000	$0.15
Issued	**-**	**-**	-	-
Exercised	**(400,000)**	**$0.15**	-	-
Ending	**-**	**-**	400,000	$0.15

g) Fair Value of Stock Options and Finders 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 six months ended June 30, 2019 and the year ended December 31, 2018:

	Six months ended June 30, 2019	**Year ended December 31, 2018**
Risk-Free Annual Interest	1.71%	2.01% - 2.18%
Expected Volatility	53%	136% - 144%
Expected Life of Option	1 year	3 years – 5 years
Expected Annual Dividend	0%	0%

The weighted average fair value of finders' warrants issued during the six months ended June 30, 2019 were $0.03 per finders' warrant, or $10,178 for a total of 371,880 finders' warrants issued during the period.

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. LEASE COMMITMENT

The Company has entered into various agreements to lease office and warehouse premises. On April 9, 2018, the lease in Jacksboro, Tennessee was extended for another 2 years. As at June 30, 2019, future minimum annual lease and operating costs payments are as follows:

	$
2019	35,335
2020	23,557
	58,892

On adoption of IFRS 16, Leases, the Company recognized the right-of-use asset (Note 5), and a corresponding increase in a lease liability, in the amount of $84,971 which represented the present value of future lease payments using a discount rate of 10%.

During the six months ended June 30, 2019, the Company recorded an accretion expense of $740 related to the lease liability.

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.

	Manufacturing, Research & Development (TN, USA)	Inspection, Cleaning & Repair Services (NC, USA)	Unifire (WA, USA)	Corporate Head Office (BC, Canada)	TOTAL
	$	$	$	$	$
Six months ended June 30, 2019					
Revenues	1,049,722	145,679	1,569,171	-	2,764,572
Total expenses	(1,448,432)	(274,146)	(2,001,347)	(589,296)	(4,313,221)
Net loss	(398,710)	(128,467)	(432,176)	(589,296)	(1,548,649)
Six months ended June 30, 2018					
Revenues	1,700,375	101,170	-	-	1,801,545
Total expenses	(2,891,336)	(620,232)	-	(1,027,714)	(4,539,282)
Net loss	(1,190,961)	(519,062)	-	(1,027,714)	(2,737,737)
As at June 30, 2019					
Current assets	743,173	80,475	3,685,276	200,027	4,708,951
Total assets	2,272,896	312,817	22,243,931	204,374	25,034,018
Total liabilities	1,460,111	362,324	8,244,163	5,792,779	15,859,377
As at December 31, 2018					
Current assets	632,245	72,918	-	87,323	792,486
Total assets	2,240,598	342,044	-	103,585	2,686,227
Total liabilities	1,350,747	426,269	-	579,955	2,356,971

(Expressed in Canadian dollars)

13. SUPPLEMENTAL INFORMATION IN RESPECT TO CASH FLOWS

Non-cash investing and financing activities for the six months ended June 30, 2019 and 2018 are as follows:

	June 30, 2019	June 30, 2018
	$	$
Finder's warrants	10,178	-
Shares issued for debt	-	42,750
Conversion of convertible debenture	-	313,863

14. FINANCIAL INSTRUMENTS

Classification of financial instruments

As at June 30, 2019	Financial assets - FVTPL	Financial assets – amortized costs	Financial liabilities – amortized costs
	$	$	$
Cash	127,129	-	-
Trade and other receivables	-	1,150,048	-
Trade and other payables	-	-	6,462,655
Other loans payable	-	-	8,611
Due to related parties	-	-	274,018
Lease liability	-	-	48,770
Notes payable	-	-	9,065,323

As at December 31, 2018	Financial assets - FVTPL	Financial assets – amortized costs	Financial liabilities – amortized costs
	$	$	$
Cash	12,490	-	-
Trade and other receivables	-	408,147	-
Bank overdraft	-	-	48,931
Trade and other payables	-	-	1,856,026
Other loans payable	-	-	14,363
Due to related parties	-	-	437,651

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 deficit of $6,647,984 as at June 30, 2019. 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. CONTINGENCIES

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. During the year ended December 31, 2018, the Company settled the Claim for US$75,000. As at June 30, 2019, the Company accrued $102,315 (US$75,000) related to this Claim and is included in trade and other payables.

During the year ended December 31, 2018, Company settled a whistleblower reprisal complaint filed under Title 10, United States Code, Section 2409, "Contractor employees: protection from reprisal for disclosure of certain information," implemented by Defense Federal Acquisition Regulation Supplement, Subpart 203.9, "Whistleblower Protections for Contractor Employees." As at June 30, 2019, the Company accrued $61,389 (US$45,000) related to this settlement and is included in trade and other payables.

17. BUSINESS ACQUISITION

On July 31, 2018, the Company announced that it has entered into a non-binding letter of intent to acquire (the "**Acquisition**") Unifire, a company based in Spokane, Washington. On April 23, 2019, the Company received approval from the TSXV for its Acquisition of Unifire. The Acquisition has been structured as a merger between Unifire and a wholly-owned subsidiary of the Company which was incorporated for purposes of the Acquisition. The consideration for the acquisition includes:

1. The issuance of an aggregate of 26,315,790 common shares of the Company (issued).
    a. The common shares are subject to a four-month statutory hold period and are subject to contractually agreed upon escrow restrictions whereby the common shares will vest incrementally up to the final release date of January 1, 2022.
2. Deferred cash payments totaling US$4,000,000.
    a. The cash payments will be payable incrementally pursuant to a contractually agreed upon schedule with the final payment to be remitted on January 1, 2022 (Note 18).
    b. The cash consideration is subject to adjustment to the extent that the net working capital of Unifire on the effective date of the Acquisition is greater or less than US$1,856,798.

In February 2019, the Company secured a US$20 million scalable revolving supplier credit facility (the "**Credit Facility**") from Capstone Capital Group, LLC ("**Capstone**").

(Expressed in Canadian dollars)

17. BUSINESS ACQUISITION (continued)

The acquisition of Unifire was accounted for as a business combination, in which the assets acquired and the liabilities assumed are recorded at their estimated fair value. The allocation of the purchase consideration is as follows:

Purchase consideration		
Share considerations	$	7,631,579
Cash considerations (Note 18)		5,341,200
TOTAL	**$**	**12,972,779**
Assets acquired:		
Cash	$	65,276
Trade and other receivables		307,828
Inventories		1,726,594
Prepaid expenses and deposits		462,264
Property and equipment		135,464
Other intangible assets		1,219,747
Liabilities assumed:		
Trade and other payables		(4,179,198)
Notes payables (Note 18)		(1,626,952)
Due to related parties (Notes 6 and 18)		(2,461,368)
Net liabilities assumed		(4,350,345)
Goodwill acquired		17,323,124
TOTAL	**$**	**12,972,779**

Goodwill recognized comprises the assembled workforce and their knowledge, regulatory affairs and expected revenue growth and future market development.

18. NOTES PAYABLE

On October 24, 2017, the Company entered into a promissory note agreement with Triumph Business Capital in the amount of $500,000. The promissory note was repayable in a weekly instalment of $3,820.25 per week starting January 1, 2018 and ending on December 31, 2020 and bears interest at 12% per annum. The note was secured by all assets of the Company. During the period ended June 30, 2019, this note was repaid in full.

As at June 30, 2019, the Company has $2,046,742 due to E-Merchant and Capstone Capital Group, LLC (collectively, “Creditors”) for short-term loans received for working capital purposes.

During the six months ended June 30, 2019, the Company issued two promissory notes to former shareholders of Unifire in relation to the Acquisition of Unifire totalling US$4,000,000 (CAD$5,341,200), of which $2,516,139 is due within 1 year (Note 17).

As at June 30, 2019, the Company has $1,635,875 due to a former shareholder of Unifire related to the acquisition of various assets and rights in 2016 (Note 6).

19. SUBSEQUENT EVENT

In August 2019, the Company closed a non-brokered private placement and issued an aggregate of 1,737,000 units at a price of $0.25 per unit for gross proceeds of $434,250. Each unit consisted of one common share and one transferable common share purchase warrant. Each warrant is exercisable to acquire one common share at an exercise price of $0.40 per share for a period of one year.

In August 2019, the Company announces that, subject to the acceptance of the TSX Venture Exchange, certain creditors have agreed to accept an aggregate of 1,481,818 common shares (the "**Shares**") of the Company, at a deemed value of $0.22 per Share, for outstanding director fees, consulting fees, and other amounts owed totaling $326,000. The Shares issued pursuant to the debt settlement are subject to a statutory hold period expiring four months and one day from the date of issuance of such securities.

In August 2019, the Company has granted incentive stock options (the "**Options**"), pursuant to its stock option plan (the "**Plan**"), for a total of 5,750,000 common shares of the Company, to certain directors, officers and consultants of the Company. The Options, subject to the terms of the Plan and the corresponding Option agreement for each optionee, are exercisable at a price of CAD $0.22 per share for a period of up to five years.

In August 2019, the Company issued an aggregate of 1,481,818 common shares of the Company, at a deemed value of CAD $0.22 per share to settle certain outstanding director fees, consulting fees, and other amounts owed totaling CAD $326,000.