



MISSION READY
SOLUTIONS INC.

MISSION READY SOLUTIONS INC.

Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023

(Expressed in Canadian dollars)

Protecting Those Who Protect Us

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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 of March 31, 2023 and December 31, 2022
(Expressed in Canadian dollars)

	Notes	March 31, 2023	December 31, 2022
		\$	\$
ASSETS			
Current Assets			
Cash		246,807	356,884
Trade and other receivables		294,952	763,001
GST recoverable		94,738	92,397
Inventories	4	330,387	241,191
Prepaid expenses and deposits		105,555	114,158
		1,072,439	1,567,631
Property and equipment	5	182,487	191,841
Other intangible assets	6	908,008	934,467
		2,162,934	2,693,939
LIABILITIES			
Current Liabilities			
Trade and other payables		1,337,577	1,688,270
Current portion of notes payable	13, 14	7,767,304	7,460,580
Due to related parties	7	459,480	271,318
		9,564,361	9,420,168
Notes payable	13, 14	2,204,805	2,243,533
		11,769,166	11,663,701
SHAREHOLDERS' DEFICIENCY			
Share capital	8	38,913,531	38,796,279
Reserves	8	8,754,587	8,685,584
Deficit		(57,274,350)	(56,451,625)
Total shareholders' deficiency		(9,606,232)	(8,969,762)
		2,162,934	2,693,939
Nature of operations and going concerns	1		

Approved and authorized for issuance by the Board of Directors on May 30, 2023:

Approved on Behalf of the Board of Directors:

"Buck L. Marshall"
Director

"James A. Marks"
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 months ended March 31, 2023 and 2022
(Expressed in Canadian dollars)

	Notes	Three months ended March 31, 2023	Three months ended March 31, 2022
		\$	\$
Revenue		975,227	1,065,358
Cost of goods sold		(317,899)	(543,848)
Gross profit		657,328	521,510
General and administrative expenses			
Amortization, depreciation and accretion	5, 6, 14	106,037	137,781
Bad debt recovery		-	(5,381)
Computer services & software		3,041	8,652
Consulting fees	7	51,518	103,960
Corporate governance costs	7	112,646	106,245
Insurance		18,592	29,031
Marketing and promotion		37,794	45,054
Office and miscellaneous		57,076	55,924
Professional fees		43,863	59,193
Rent and utilities		55,168	57,136
Research and development		121,341	304
Stock-based compensation	7	43	393,581
Travel		12,042	11,349
Wages and benefits	7	653,339	741,113
Total expenses		(1,272,500)	(1,743,942)
Other items			
Finance costs		(208,725)	(134,875)
Foreign exchange gain		1,117	3,404
Gain on settlement of debts	8, 14	-	1,634,201
Other income		55	1,168
Total other items		(207,553)	1,503,898
Net income (loss)		(822,725)	281,466
Foreign currency translation adjustments		64,999	39,212
Comprehensive income (loss)		(757,726)	320,678
Basic and diluted earnings (loss) per common share		(0.00)	0.00
Weighted average number of common shares outstanding			
Basic		215,252,954	201,309,577
Diluted		215,252,954	204,035,307

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 (Deficiency)
(Expressed in Canadian dollars)

	<u>Share Capital</u>		Stock options reserve	Warrant reserve	Foreign currency translation reserve	Accumulated Deficit	Total
	Number of Shares	Amount					
		\$	\$	\$	\$	\$	\$
Balance, December 31, 2021	198,404,144	36,463,169	7,813,277	-	862,075	(33,949,763)	11,188,758
Shares for debt settlement	3,595,856	1,024,819	-	-	-	-	1,024,819
Exercise of options	1,019,000	431,661	(198,481)	-	-	-	233,180
Stock-based compensation	-	-	393,581	-	-	-	393,581
Comprehensive income	-	-	-	-	39,212	281,466	320,678
Balance, March 31, 2022	203,019,000	37,919,649	8,008,377	-	901,287	(33,668,297)	13,161,016
Shares issued for cash	10,957,875	876,630	-	-	-	-	876,630
Stock-based compensation	-	-	211,678	-	-	-	211,678
Comprehensive loss	-	-	-	-	(435,758)	(22,783,328)	(23,219,086)
Balance, December 31, 2022	213,976,875	38,796,279	8,220,055	-	465,529	(56,451,625)	(8,969,762)
Shares issued for cash	1,573,125	125,850	-	-	-	-	125,850
Share issue costs	-	(8,598)	-	3,961	-	-	(4,637)
Stock-based compensation	-	-	43	-	-	-	43
Comprehensive loss	-	-	-	-	64,999	(822,725)	(757,726)
Balance, March 31, 2023	215,550,000	38,913,531	8,220,098	3,961	530,528	(57,274,350)	(9,606,232)

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 three months ended March 31, 2023 and 2022
(Expressed in Canadian dollars)

	2023	2022
	\$	\$
Operating activities		
Net income (loss)	(822,725)	281,466
Adjustments for non-cash items:		
Accrued interest	204,578	69,885
Amortization and depreciation	106,037	74,073
Bad debt recovery	-	(5,381)
Gain on settlement of debts	-	(1,634,201)
Stock-based compensation	43	393,581
Change in non-cash working capital components:		
Trade and other receivables	468,049	1,352,737
GST recoverable	(2,341)	(2,786)
Inventories	(89,196)	(13,753)
Prepaid expenses and deposits	8,603	35,041
Trade and other payables	(350,693)	(349,158)
Due to related parties	188,162	(6,342)
Net cash provided by (used in) operating activities	(289,483)	195,162
Financing activities		
Shares issued for cash	125,850	-
Share issue costs	(4,637)	-
Exercise of options	-	233,180
Repayments on notes payable	-	(5,443,586)
Net cash provided by (used in) financing activities	121,213	(5,210,406)
Decrease in cash	(168,270)	(5,015,244)
Effect of exchange rate changes on cash	58,193	(90,523)
Cash, beginning	356,884	7,897,110
Cash, ending	246,807	2,791,343
Cash paid for interest expense	-	-
Cash paid for income taxes	-	-

Supplemental Information with Respect to Cash Flows (Note 10)

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

MISSION READY SOLUTIONS INC.
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2023 and 2022
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Mission Ready Solutions Inc. ("**Mission Ready**" or the "**Company**") is governed by the Business Corporations Act (British Columbia). The head office is located at Suite 400 – 1681 Chestnut Street, Vancouver, B.C., Canada, V6J 4M6. The Company's common shares are traded on the TSX Venture Exchange ("TSXV") under the symbol "MRS" and OTCQX Best Market under the symbol "MSNVF".

Mission Ready specializes in providing comprehensive government contracting solutions – through its wholly-owned subsidiary, Unifire, Inc. ("**Unifire**") Unifire is an industry-leading manufacturer and distributor of top-performing products and solutions for fire, military, emergency, and law enforcement worldwide. Unifire has extensive knowledge and experience in providing solutions to the US Federal Government and leverages its robust vendor network, time-proven industry relationships, highly efficient and scalable technology infrastructure and distribution capabilities to efficiently source and deliver mission-critical products and solutions in cooperation with program managers, military and federal contracting offices, base supply centers, and other governmental supply agencies.

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. 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.

In March 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including the Company's. This outbreak could decrease spending, adversely affect demand for the Company's products and harm the Company's business and results of operations. The Company cannot predict the duration or magnitude of the adverse impacts of the outbreak and its effects on the Company's business or results of operations at this time.

MISSION READY SOLUTIONS INC.
Notes to the Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
(Expressed in Canadian dollars)

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 of and for the year ended December 31, 2022.

These condensed consolidated interim financial statements are prepared on a historical cost basis except for certain financial instruments described in Note 11, 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.

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 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 Holdings USA Inc.	United States	100.0%	US dollar
Unifire, Inc. ⁽¹⁾	United States	100.0%	US dollar
Protect The Force Inc.	United States	100.0%	US dollar
PTF Manufacturing Inc.	United States	100.0%	US dollar
No Contact, LLC	United States	100.0%	US dollar
10-20 Services Inc.	United States	100.0%	US dollar

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

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 affect both current and future periods.

MISSION READY SOLUTIONS INC.
Notes to the Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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) Impairment of property and equipment and intangible assets

An impairment loss is recognized for the amount by which the assets 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.

ii) Useful lives of property and equipment and intangible assets

Management reviews the useful lives of property, 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.

4. INVENTORIES

	March 31, 2023	December 31, 2022
	\$	\$
Raw materials	104,954	105,149
Finished goods	225,433	136,042
Total	330,387	241,191

During the year ended December 31, 2022, the Company recognized a write-off of obsolete inventory of \$79,080.

MISSION READY SOLUTIONS INC.**Notes to the Condensed Consolidated Interim Financial Statements**

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian dollars)

5. PROPERTY AND EQUIPMENT

	Wash & Other Equipment	Computer Equipment	Leasehold Improvements	TOTAL
	\$	\$	\$	\$
COSTS				
Balance, December 31, 2021	349,530	94,038	73,906	517,474
Additions	14,833	-	-	14,833
Foreign currency adjustments	27,041	5,946	5,755	38,742
Balance, December 31, 2022	391,404	99,984	79,661	571,049
Foreign currency adjustments	(348)	(76)	(73)	(497)
Balance, March 31, 2023	391,056	99,908	79,588	570,552
ACCUMULATED DEPRECIATION				
Balance, December 31, 2021	230,684	56,336	23,879	310,899
Depreciation	25,670	8,454	8,418	42,542
Foreign currency adjustments	19,228	3,856	2,683	25,767
Balance, December 31, 2022	275,582	68,646	34,980	379,208
Depreciation	5,339	1,670	2,186	9,195
Foreign currency adjustments	(251)	(51)	(36)	(338)
Balance, March 31, 2023	280,670	70,265	37,130	388,065
NET BOOK VALUE				
Balance, December 31, 2022	115,822	31,338	44,681	191,841
Balance, March 31, 2023	110,386	29,643	42,458	182,487

MISSION READY SOLUTIONS INC.
Notes to the Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
(Expressed in Canadian dollars)

6. INTANGIBLE ASSETS

	Product Development Costs	Licenses & Certifications	Patents	Rights	TOTAL
	\$	\$	\$	\$	\$
COSTS					
Balance, December 31, 2021	1,124,851	226,069	418,151	1,125,742	2,894,813
Foreign currency adjustments	76,836	5,196	31,183	108,250	221,465
Balance, December 31, 2022	1,201,687	231,265	449,334	1,233,992	3,116,278
Foreign currency adjustments	(976)	(66)	(357)	-	(1,399)
Balance, March 31, 2023	1,200,711	231,199	448,977	1,233,992	3,114,879
ACCUMULATED AMORTIZATION					
Balance, December 31, 2021	309,333	195,027	291,195	452,224	1,247,779
Amortization	57,720	8,674	33,747	162,637	262,778
Write-down	-	-	1,253	528,572	529,825
Foreign currency adjustments	23,494	3,431	23,945	90,559	141,429
Balance, December 31, 2022	390,547	207,132	350,140	1,233,992	2,181,811
Amortization	15,000	2,254	8,431	-	25,685
Foreign currency adjustments	(309)	(45)	(271)	-	(625)
Balance, March 31, 2023	405,238	209,341	358,300	1,233,992	2,206,871
NET BOOK VALUE					
Balance, December 31, 2022	811,140	24,133	99,194	-	934,467
Balance, March 31, 2023	795,473	21,858	90,677	-	908,008

MISSION READY SOLUTIONS INC.
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2023 and 2022
(Expressed in Canadian dollars)

6. INTANGIBLE ASSETS (continued)

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 September 19, 2016, the Company acquired certain certifications that comply with the US 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. The Company holds a patent on the No-Contact Electro Muscular Disruption 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 US\$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 US\$1,250,000 to the Company for this purchase (Notes 13 and 14). During the year ended December 31, 2022, the uncertainty over the timing of revenue derived from Unifire's operations resulted in the Company recognizing an impairment of intangible assets of \$529,825 (Note 13).

7. 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, 2023 and 2022, are as follows:

	March 31, 2023	March 31, 2022
	\$	\$
Salaries and other short-term employee benefits	244,984	220,203
Director fees	81,156	75,972
Stock-based compensation	-	185,718
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	326,140	481,893

MISSION READY SOLUTIONS INC.
Notes to the Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
(Expressed in Canadian dollars)

7. RELATED PARTIES (continued)

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 of March 31, 2023 and December 31, 2022, the Company has the following amounts owed to related parties that are noninterest-bearing, unsecured, and have no specified terms of repayment. The option pricing differential payable has been included in trade and other payables.

	March 31, 2023	December 31, 2022
	\$	\$
Option pricing differential payable	115,000	115,000
Director fees payable	131,426	109,547
Due to officers and former officers	328,054	161,771
	<hr/>	<hr/>
	574,480	386,318

8. 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 February 3, 2022, the Company issued 3,595,856 common shares valued at \$1,024,819 to partially settle the balance outstanding to Product Source Group, LLC and JD. United Manufacturing Co. Ltd. in the amount of US\$1,000,000 (Note 14) resulting in a gain on settlement of debts of \$241,381 during the year ended December 31, 2022.

On December 16, 2022, the Company closed a non-brokered private placement and issued 10,957,875 units at a price of \$0.08 per unit for gross proceeds of \$876,630. Each unit consisted of one common share and one transferable common share purchase warrant, with each Warrant exercisable into one common share at an exercise price of \$0.15 per share until December 16, 2025. A total of 4,817,875 units were subscribed by the Chief Executive Officer, Chief Financial Officer and certain directors of the Company.

During the year ended December 31, 2022, the Company issued 1,019,000 common shares on the exercise of options for total proceeds of \$233,180.

On January 17, 2023, the Company closed a non-brokered private placement and issued 1,573,125 units at a price of \$0.08 per unit for gross proceeds of \$125,850. Each unit consisted of one common share and one transferable common share purchase warrant, with each Warrant exercisable into one common share at an exercise price of \$0.15 per share until January 17, 2026. A total of 282,625 units were subscribed by the Chief Executive Officer of the Company. The Company has paid cash commissions of \$4,637 and issued 57,960 finder's warrants to finders as compensation. Each finder's warrant is exercisable to acquire one common share at an exercise price of \$0.15 per share until January 17, 2026.

MISSION READY SOLUTIONS INC.
Notes to the Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
(Expressed in Canadian dollars)

8. 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 of March 31, 2023, 20,650,000 options, with an average exercise price of \$0.35 per share and an average remaining life of 2.90 years, have been vested.

	Three months ended March 31, 2023		Year ended December 31, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening	20,650,000	\$0.35	21,469,862	\$0.34
Granted	-	-	200,000	0.28
Exercised	-	-	(1,019,000)	0.23
Cancelled	-	-	(862)	0.22
Ending	20,650,000	\$0.35	20,650,000	\$0.35

As of March 31, 2023, the following options remain outstanding:

Number of options	Exercisable	Exercise price	Expiry date
600,000	600,000	\$0.25	May 1, 2023
200,000	200,000	\$0.25	June 11, 2023
25,000	25,000	\$0.35	May 8, 2024
650,000	650,000	\$0.22	August 15, 2024
775,000	775,000	\$0.25	September 2, 2024
2,900,000	2,900,000	\$0.24	September 23, 2024
150,000	150,000	\$0.35	November 21, 2024
1,000,000	1,000,000	\$0.20	October 9, 2025
750,000	750,000	\$0.15	December 14, 2025
4,400,000	4,400,000	\$0.70	March 18, 2026
400,000	400,000	\$0.50	May 18, 2026
500,000	500,000	\$0.50	June 22, 2026
4,800,000	4,800,000	\$0.25	October 20, 2026
3,300,000	3,300,000	\$0.25	September 25, 2027
200,000	200,000	\$0.28	January 4, 2027
20,650,000	20,650,000		

MISSION READY SOLUTIONS INC.
Notes to the Consolidated Financial Statements
For the three months ended March 31, 2023 and 2022
(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

c) Share Purchase Warrants

	Three months ended March 31, 2023		Year ended December 31, 2022	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Opening	10,957,875	\$0.15	-	\$ -
Issued	1,573,125	\$0.15	10,957,875	\$0.15
Exercised	-	\$ -	-	\$ -
Ending	12,531,000	\$0.15	10,957,875	\$0.15

c) Finders' Warrants

	Three months ended March 31, 2023		Year ended December 31, 2022	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Opening	-	\$ -	-	\$ -
Issued	57,960	\$0.15	-	\$ -
Ending	57,960	\$0.15	-	\$ -

d) Fair Value of Stock Options and Finders' Warrants

The fair value of stock options and finders' warrants granted are estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions made during the three months ended March 31, 2023 and 2022:

	Three months ended March 31, 2023	Three months ended March 31, 2022
Risk-Free Annual Interest	3.18%	1.38%
Expected Volatility	137%	133%
Expected Life of Option	3 years	5 years
Expected Annual Dividend	0%	0%

The weighted average fair value of stock options and finders' warrants issued during the three months ended March 31, 2023, was \$0.07 per option (2022 - \$0.24 per option).

Black-Scholes option pricing model requires 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.

MISSION READY SOLUTIONS INC.
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(Expressed in Canadian dollars)

9. 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.

	Manufacturing, Research & Development (TN, USA)	Unifire (WA, USA)	Corporate Head Office (BC, Canada)	TOTAL
	\$	\$	\$	\$
Three months ended March 31, 2023				
Revenues	542,659	432,568	-	975,227
Total expenses	(578,314)	(939,153)	(280,485)	(1,797,952)
Net loss	(35,655)	(506,585)	(280,485)	(822,725)
Three months ended March 31, 2022				
Revenues	308,031	757,327	-	1,065,358
Total expenses	(431,261)	(1,226,587)	873,956	(783,892)
Net income (loss)	(123,230)	(469,260)	873,956	281,466
As of March 31, 2023				
Current assets	389,431	455,851	227,157	1,072,439
Total assets	1,416,961	518,816	227,157	2,162,934
Total liabilities	558,974	7,276,444	3,933,748	11,769,166
As of December 31, 2022				
Current assets	319,124	910,509	337,998	1,567,631
Total assets	1,378,943	976,998	337,998	2,693,939
Total liabilities	592,083	7,201,904	3,869,714	11,663,701

10. SUPPLEMENTAL INFORMATION IN RESPECT TO CASH FLOWS

Non-cash investing and financing activities for the three months ended March 31, 2023 and 2022 are as follows:

	March 31, 2023	March 31, 2022
	\$	\$
Shares issued for debt	-	1,024,819

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11. FINANCIAL INSTRUMENTS

Classification of financial instruments

As of March 31, 2023	Financial assets - FVTPL	Financial assets – amortized costs	Financial liabilities – amortized costs
	\$	\$	\$
Cash	246,807	-	-
Trade and other receivables	-	294,952	-
Trade and other payables	-	-	1,337,577
Due to related parties	-	-	459,480
Notes payable	-	-	9,972,109
As of December 31, 2022	Financial assets - FVTPL	Financial assets – amortized costs	Financial liabilities – amortized costs
	\$	\$	\$
Cash	356,884	-	-
Trade and other receivables	-	763,001	-
Trade and other payables	-	-	1,688,270
Due to related parties	-	-	271,318
Notes payable	-	-	9,704,113

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.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil 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 to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company had a working capital deficiency of \$8,491,922 as of March 31, 2023 compared to a working capital deficiency of \$7,852,537 at December 31, 2022.

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11. FINANCIAL INSTRUMENTS (continued)

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 exposure is the US dollar. The Company is exposed to currency risk to the extent of its cash, trade and other payables, due to related parties, purchase agreements payable, and loans payable that are denominated in US 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.

12. 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.

13. BUSINESS ACQUISITION

On July 31, 2018, the Company announced that it had entered into a non-binding letter of intent to acquire (the "**Acquisition**") Unifire, a company based in Spokane, Washington. On April 22, 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 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. See Note 14 for subsequent amendments to the deferred cash payments.
 - 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.

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13. BUSINESS ACQUISITION (continued)

The Acquisition 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 14)	5,341,200
	<hr/>
TOTAL	\$ 12,972,779
	<hr/> <hr/>
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	(4,186,855)
Notes payables (Note 14)	(1,575,570)
Due to related parties (Notes 6 and 14)	(2,461,368)
	<hr/>
Net liabilities assumed	(4,306,620)
Goodwill acquired	17,279,399
	<hr/>
TOTAL	\$ 12,972,779
	<hr/> <hr/>

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

During the year ended December 31, 2022, the uncertainty over the timing of revenue derived from Unifire's operations resulted in the Company recognizing an impairment of intangible assets of \$529,825 (Note 6) and goodwill of \$17,279,399.

14. NOTES PAYABLE

Former Shareholders of Unifire

During the year ended December 31, 2019, the Company issued two promissory notes to former shareholders of Unifire in relation to the Acquisition totalling US\$4,000,000 (CA\$5,341,200) (Note 13).

On December 12, 2019, the Company entered into a debt settlement agreement with one of the former shareholders of Unifire in the amount of US\$250,000 (CA\$330,625) by issuing 2,204,167 common shares of the Company. The Company received approval from the TSX Venture Exchange on December 23, 2019, and issued the common shares on January 3, 2020.

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14. NOTES PAYABLE (continued)

The Company entered into an agreement to defer payments with one of the former shareholders of Unifire to monthly payments of US\$25,000 from June 1, 2021, to June 1, 2026, with the last payment consisting of a balloon payment for the remaining balance. A late payment fee has been accrued in the amount of US\$109,091 consisting of 5% of each quarterly payment that was not paid within 30 days after the date the quarterly payment becomes due pursuant to the original promissory note agreement. The agreement to defer payments is initially measured at the present value of the payments in the amount of US\$2,093,315 on the debt settlement date, using a discount rate of 10%. This resulted in the Company recognizing a gain on settlement of debt of \$1,126,615 (US\$898,776) and interest expense of \$128,402 (US\$102,434) during the year ended December 31, 2021. During the year ended December 31, 2022, the Company recorded interest expense of \$256,915 (US\$197,460). During the three months ended March 31, 2023, the Company recorded interest expense of \$64,559 (US\$47,729).

As of March 31, 2023, the Company had a note payable to the two former shareholders of Unifire in the amount of US\$2,280,939 (CA\$3,086,794) (December 31, 2022 – US\$2,233,210 (CA\$3,024,659)), of which \$881,989 is due within 1 year.

Product Source Group, LLC and JD. United Manufacturing Co. Ltd.

During the year ended December 31, 2020, the Company accrued US\$7,100,000 as accounts payable pending the outcome of a disputed claim. Product Source Group, LLC and JD. United Manufacturing Co. Ltd. filed a lawsuit against Unifire in New York Supreme Court, Monroe County, Index No. E2020010244 alleging failure to pay for the purchase of isolation gowns. Unifire removed the case to the US District Court for the Western District of New York, Case No. 6:21-cv-06272, and moved to dismiss for lack of personal jurisdiction.

On November 5, 2021, the Company entered into a debt settlement (the "Settlement Agreement") with Product Source Group, LLC and JD. United Manufacturing Co. Ltd. (the "Creditor") for the payment of the principal amount outstanding of US\$7,100,000 (the "Debt"). Pursuant to the Settlement Agreement, the balance payable to the Creditor was reduced from US\$7.5 million (including accrued interest) to US\$6 million. The Company secured a loan from Northwest Bank of Coeur d'Alene to facilitate its payment of US\$6 million on or before March 30, 2022, pursuant to the terms of the discount provision of the Settlement Agreement. The Company remitted an initial payment of US\$1 million and subsequently the Creditor agreed to accept 3,595,856 common shares of the Company in satisfaction of US\$1 million (issued on February 3, 2022) (Note 8). On January 24, 2022, the remaining balance of US\$4 million was paid in cash by the Company to fully extinguish the outstanding balance to the Creditor, resulting in a total gain on settlement of debts of \$1,634,201 during the year ended December 31, 2022.

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14. NOTES PAYABLE (continued)

Northwest Bank of Coeur d'Alene

During the year ended December 31, 2021, the Company received a US\$6,000,000 loan (the "Loan") from Northwest Bank of Coeur d'Alene (the "Lender"). Pursuant to the terms of the loan, the Company will pay US\$87,651 per month which represents instalments of principal and interest from February 1, 2022 to January 1, 2027, at which time all sums owing become fully due and payable. The interest payable is based on the Index Rate of the Lender (3.25% per annum as of the effective date of the loan) plus 2.75% which is subject to adjustments from time to time based on changes in the Wall Street Journal Prime Rate. In addition, the Company is required to maintain a minimum balance of not less than US\$800,000 in a reserve account to which the Lender shall be granted a security interest during the term of the Loan. Upon full repayment of the Loan, any remaining funds in the reserve account shall be released to the Company. On October 20, 2022, the Company received a notice of default from the Lender for failing to make the October 1, 2022 payment and meet the minimum liquidity requirement. Pursuant to the forbearance agreement entered into on September 27, 2022 and subsequently amended on October 28, 2022, the Lender agreed to deduct the October 1, 2022 payment from the reserve account, the Company must replenish the reserve account within 30 days of the amended forbearance agreement, provided that the Company satisfy the minimum liquidity requirement by November 19, 2022 (Note 15).

During the year ended December 31, 2021, the Company recognized deferred financing costs of US\$97,565 (CA\$122,298) related to fees incurred to setup the Loan. As of March 31, 2023, the Company had a remaining balance of deferred financing costs of US\$73,174 (CA\$99,026).

As of March 31, 2023, the Company had a balance outstanding in the amount of US\$5,087,796 (CA\$6,885,315) (December 31, 2022 – US\$4,931,670 (CA\$6,679,454)) classified as a current liability in accordance to the default provisions in the loan agreement.

15. CONTINGENCY

On February 22, 2023, a complaint was filed against the Company with the United States District Court in Idaho in relation to the note payable to Northwest Bank of Coeur d'Alene (Note 14). The complaint alleges that the Company breached its obligations under the loan documents and forbearance agreement. The Company intends to vigorously defend against this complaint and has retained a legal counsel.