

Unaudited Condensed Interim Consolidated Financial Statements of

SPECTRA7 MICROSYSTEMS INC.

For the Three Months Ended March 31, 2021 and 2020

(Expressed in United States Dollars)

The accompanying unaudited condensed consolidated interim financial statements of Spectra7 Microsystems Inc. (the "Company") have been prepared by and are the responsibility of the Company's management and approved by the Board of Directors of the Company.

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

SPECTRA7 MICROSYSTEMS INC.
(Unaudited)

For the Three Months Ended March 31, 2021 and 2020

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SPECTRA7 MICROSYSTEMS INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (Unaudited)
Three Months Ended March 31, 2021 and 2020
(Expressed in United States Dollars)

| | Three Months Ended March 31, | |
|--|-------------------------------------|-------------|
| | 2021 | 2020 |
| Revenue | 556,113 | 116,002 |
| Cost of sales | 238,650 | 53,131 |
| Gross margin | 317,463 | 62,871 |
| Research and development, net of investment tax credits and including amortization of licenses | 551,105 | 752,108 |
| Sales and marketing | 66,295 | 130,204 |
| General and administrative | 276,348 | 272,834 |
| Depreciation of right-of-use assets | 74,372 | 85,336 |
| Depreciation of property and equipment | 56,911 | 82,349 |
| Share-based compensation (Note 6) | 83,155 | 157,831 |
| Interest on lease obligation of right-of-use asset | 1,819 | 13,493 |
| Accretion expense (Note 5) | 541,503 | 499,365 |
| Government grant | (234,564) | - |
| Foreign exchange gain/loss | (936) | (48,329) |
| Loss on disposal of property and equipment | - | (394) |
| | 1,416,008 | 1,945,191 |
| Net Loss | (1,098,545) | (1,882,320) |
| Other comprehensive loss: | | |
| Unrealized foreign currency translation | (26,759) | 879,118 |
| Total comprehensive loss | (1,125,304) | (1,003,202) |
| Basic and diluted | (0.00) | (0.01) |
| Basic and diluted | 763,774,064 | 429,645,891 |

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

SPECTRA7 MICROSYSTEMS INC.

Condensed Interim Consolidated Statements of Changes in Deficiency (Unaudited)

Three Months Ended March 31, 2021 and 2020

(Expressed in United States Dollars)

| | Common shares \$ | Share-based payment reserve \$ | Convertible debentures share conversion option \$ | Warrants \$ | Subscription received for units \$ | Deficit \$ | Accumulated other comprehensive loss \$ | Total Equity \$ |
|---|------------------------|---|--|------------------|---|----------------------|---|---------------------|
| Balance, December 31, 2019 | 142,428,107 | 3,663,400 | 1,574,971 | 1,282,929 | (4,104) | (160,831,092) | 62,362 | (11,823,427) |
| Shares issued under Restricted Share Unit plan (Note 6(b)(i)) | 109,638 | (109,638) | - | - | - | - | - | - |
| Subscription received for common shares | - | - | - | - | 54,870 | - | - | 54,870 |
| Units issued on March Private Placement (Note 6(a)(i)), net of issuance costs of \$6,644. | 876,013 | - | - | - | - | - | - | 876,013 |
| Reclass issuance costs to expense | 31,742 | - | - | 2,269 | - | - | - | 34,011 |
| Share-based compensation expense (Note 6(b)(iii)) | - | 157,831 | - | - | - | - | - | 157,831 |
| Total comprehensive loss | - | - | - | - | - | (1,882,320) | 879,118 | (1,003,202) |
| Balance, March 31, 2020 | 143,445,500 | 3,711,593 | 1,574,971 | 1,285,198 | 50,766 | (162,713,412) | 941,480 | (11,703,904) |

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

SPECTRA7 MICROSYSTEMS INC.

Condensed Interim Consolidated Statements of Changes in Deficiency (Unaudited)

Three Months Ended March 31, 2021 and 2020

(Expressed in United States Dollars)

| | Common shares | Share-based payment reserve | Convertible debentures - share conversion option | Warrants | Subscription received for shares not issued | Deficit | Accumulated other comprehensive loss | Total Shareholders' Deficiency |
|--|--------------------|-----------------------------------|---|------------------|--|----------------------|---|--------------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance, December 31, 2020 | 145,179,094 | 3,868,338 | 1,561,032 | 1,384,160 | 740,161 | (166,988,726) | (20,681) | (14,276,622) |
| Shares issued under Restricted Share Unit plan (Note 6(c)(i)) | - | - | - | - | - | - | - | - |
| Subscription received for common shares | - | - | - | - | (740,161) | - | - | (740,161) |
| Units issued on 2021 Private Placement, net of issuance costs (Note 6(a)(i)) | 2,985,964 | - | - | - | - | - | - | 2,985,964 |
| Allocation of warrants portion of 2021 Units, net of issuance costs (Note 6(a)(i)) | - | - | - | 762,427 | - | - | - | 762,427 |
| Share-based compensation expense (Note 6(c)(iii)) | - | 83,155 | - | - | - | - | - | 83,155 |
| Shares issued upon exercise of stock options | - | 5,951 | - | - | - | - | - | 5,951 |
| Conversions of convertible debt to shares | 3,087,544 | - | - | - | - | - | - | 3,087,544 |
| Total comprehensive loss | - | - | - | - | - | (1,098,545) | (26,759) | (1,125,304) |
| Balance, March 31, 2021 | 151,252,602 | 3,957,444 | 1,561,032 | 2,146,586 | - | (168,087,271) | (47,440) | (9,217,045) |

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

SPECTRA7 MICROSYSTEMS INC.

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

Three Months Ended March 31, 2021 and 2020

(Expressed in United States Dollars)

| | Three Months Ended March 31, | |
|---|-------------------------------------|------------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Operating activities: | | |
| Net Loss | (1,098,544) | (1,882,320) |
| Items not involving cash: | | |
| Amortization of licenses | - | 133,956 |
| Depreciation of property and equipment | 66,253 | 97,290 |
| Depreciation of right-of-use assets | 74,372 | 85,336 |
| Share-based compensation | 83,155 | 157,831 |
| Interest on obligations under finance lease | - | - |
| Accretion expense | 541,503 | 499,365 |
| Release of government grant | (234,564) | |
| | (567,825) | (908,542) |
| Net change in non-cash working capital items | | |
| Trade and other receivables | (38,335) | 359,054 |
| Inventories | 16,614 | 41,894 |
| Prepaid expenses and other assets | (210,692) | 27,086 |
| Trade and other payables | (786,890) | 297,896 |
| Deferred revenue | 24,923 | - |
| | (1,562,205) | (182,612) |
| Grant funds received | 739,469 | - |
| Interest paid | (357,524) | (375,028) |
| | (1,180,260) | (557,640) |
| Financing activities: | | |
| Interest payable – convertible debt | 343,960 | - |
| Repayment of promissory notes | - | (290,000) |
| Repayment of obligation under finance lease | - | (4,482) |
| Repayment of license liabilities | - | (135,954) |
| Repayment of lease obligation on right-of-use assets (Note 4) | (82,599) | (81,915) |
| Proceeds from issuance shares net of issuance costs | 1,445,397 | 876,013 |
| Proceeds from subscribed shares net of issuance costs | - | 54,870 |
| | 1,706,758 | 418,532 |
| Investing activities: | | |
| Acquisition of property and equipment | (7,149) | 15 |
| | (7,149) | 15 |
| Effect of foreign exchange rate changes on cash | (21,191) | 87,655 |
| Increase in cash | 498,158 | (51,438) |
| Cash, beginning of period | 35,253 | 71,121 |
| Cash, end of period | 533,411 | 19,683 |

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

SPECTRA7 MICROSYSTEMS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
Three Months Ended March 31, 2021 and 2020
(Expressed in United States Dollars)

1. Nature of operations, going concern and continuation of the business

Spectra7 Microsystems Inc. (the "Company" or "Spectra7"), is a publicly traded company listed on the TSX Venture Exchange (the "TSXV"). The Company is a high performance analog semiconductor company delivering unprecedented bandwidth, speed and resolution to enable disruptive industrial design for leading electronics manufacturers in Virtual Reality ("VR"), Augmented Reality ("AR"), Mixed Reality ("MR"), data centers and other connectivity markets.

The Company is domiciled in Canada and its registered office is located at 181 Bay Street, Suite 1800, Toronto, Canada M5J 2T9.

The Company's condensed interim consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities in the normal course of operations. The Company incurred a comprehensive loss of \$1,125,304 during the three month period ended March 31, 2021 (three months ended March 31, 2020 - \$1,003,202), and as of that date has an accumulated deficit of \$160,831,092 (December 31, 2020 - \$166,988,726). To date, the Company has funded operations through debt financings and through private and public equity offerings. These factors represent material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing and/or achieve profitable operations in the future. The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

Revenue for the year ended December 31, 2020 was significantly reduced as a result of the COVID-19 pandemic. In response to the material near-term revenue impact, the Company has significantly reduced operating expenses, including employee furloughs. The Company continues to pursue the best available paths to manage operational risk and preserve capital during this time.

The Company applied for enrollment in the Paycheck Protection Program ("PPP") formed under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). On April 24, 2020 the Company received \$776,085 at an interest rate of 1%. On October 9, 2020, the Company applied for forgiveness of the funds received under the PPP. On March 21, 2021, the Company received notice of forgiveness for the full amount of the first grant from the PPP.

On February 19, 2021, the Company applied for enrollment in the 2nd Paycheck Protection Loan Program (the "Second PPP") formed under the "CARES Act". On March 5, 2021, the Company received a new government grant under the Second PPP in the amount of \$739,470.

2. Basis of presentation

a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), using International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

These condensed interim consolidated financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2020 and 2019.

Except as noted below, the Company has followed the same basis of presentation, accounting policies and method of computation for these condensed interim consolidated financial statements as were disclosed in the audited consolidated financial statements for the years ended December 31, 2020 and 2019.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Company's audit committee on May 29, 2021.

SPECTRA7 MICROSYSTEMS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
Three Months Ended March 31, 2021 and 2020
(Expressed in United States Dollars)

b) Basis of measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments measured at fair value through profit or loss. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

These condensed interim consolidated financial statements are presented in United States dollars. The Company's functional currency is Canadian dollars.

c) Basis of consolidation

The condensed interim consolidated financial statements incorporate the financial statements of the Company and its wholly-owned subsidiaries:

- Spectra7 Microsystems Corp., a company incorporated under the laws of Ontario;
- Spectra7 Microsystems Ltd., a company incorporated under the laws of Delaware;
- Spectra7 Microsystems (Ireland) Limited, a company incorporated under the laws of Ireland; and
- Si Bai Ke Te (Dongguan) Electronics Trading Co. Ltd., a China wholly foreign-owned enterprise (WFOE).

All intercompany balances and transactions are eliminated in full on consolidation.

3. Right-of-use assets

The following table sets forth the right-of-use assets as at March 31, 2021:

| | |
|----------------------------------|----------------|
| | \$ |
| Balance, January 1, 2020 | 608,604 |
| Depreciation | (85,336) |
| Balance March 31, 2020 | 523,268 |
| Depreciation | (223,119) |
| Lease Termination | (200,985) |
| Balance December 31, 2020 | 99,164 |
| Depreciation | (74,373) |
| Balance March 31, 2021 | 24,791 |

4. Lease obligations on right-of-use assets

The present value of the remaining minimum lease payments on the obligations for right-of-use assets as at March 31, 2021 are as follows:

| | |
|---|----------------|
| | \$ |
| Opening as at January 1, 2021 | 110,533 |
| Principal repayments during the period ended March 31, 2021 | (82,599) |
| Period Ended March 31, 2021 | 27,934 |
| Current | 27,934 |
| Non-current | - |

SPECTRA7 MICROSYSTEMS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
Three Months Ended March 31, 2021 and 2020
(Expressed in United States Dollars)

5. Convertible debentures

| | \$ |
|---|-------------------|
| Balance, January 1, 2019 | 7,238,396 |
| Accretion expense | 1,863,945 |
| Repayment of interest | (368,913) |
| Foreign exchange translation adjustment | 275,265 |
| Balance, December 31, 2019 | 9,008,693 |
| Accretion expense | 2,098,823 |
| Repayment of interest | (748,212) |
| Converted to Common Shares | (105,465) |
| Foreign exchange translation adjustment | 22,402 |
| Balance, December 22, 2020 | 10,276,241 |
| Derecognition of Convertible Debt | (10,048,082) |
| Gain on Derecognition of Convertible Debt | (228,159) |
| Balance, December 23, 2020 | - |
| | \$ |
| Fair value of liability component at issuance | 9,711,196 |
| Less: issuance costs | (20,638) |
| | 9,690,558 |
| Accretion expense | 46,151 |
| Foreign exchange translation adjustment | 90,482 |
| Balance, December 31, 2020 | 9,827,191 |
| Accretion expense | 527,940 |
| Converted to Common Shares | (4,656,328) |
| Foreign exchange translation adjustment | - |
| Balance at March 31, 2021 | 5,698,803 |

SPECTRA7 MICROSYSTEMS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
Three Months Ended March 31, 2021 and 2020
(Expressed in United States Dollars)

6. Shareholders' equity

(a) Common shares

- Authorized share capital consists of an unlimited number of common shares.

The following table summarizes the changes to the issued and outstanding common shares during the three months ended March 31, 2021:

| | Common Shares | |
|---|--------------------|--------------------|
| | # | \$ |
| Balance, December 31, 2020 | 592,717,660 | 145,179,094 |
| Shares issued under Restricted Share Unit plan | - | - |
| Units issued on 2021 Private Placement (i) | 161,880,255 | 3,751,769 |
| Cash paid for issuance costs - shares portion (i) | - | (759,842) |
| Convertible debt conversions | 88,874,061 | 3,087,544 |
| Balance, March 31, 2021 | 843,471,976 | 151,258,566 |

The following table summarizes the changes to the issued and outstanding common shares during the three months ended March 31, 2020:

| | # | \$ |
|---|--------------------|--------------------|
| Balance, December 31, 2019 | 409,557,177 | 142,428,107 |
| Shares issued under Restricted Share Unit plan | 1,174,608 | 109,638 |
| Units issued on March Private Placement (i) | 80,798,400 | 882,657 |
| Cash paid for issuance costs - shares portion (i) | - | (6,644) |
| Reclass issuance costs to expense | | 31,742 |
| Balance, March 31, 2020 | 491,530,185 | 143,445,500 |

(i) Private Placement

On January 15, 2021, the Company completed the first tranche of a non-brokered private placement (the "January Private Placement") of 114,013,763 units of the Company ("Units") at a price of CDN \$0.03 per Unit for gross proceeds of approximately CDN \$3,420,413 (USD \$2,682,466). On February 12, 2021, the Company completed the second tranche of the private placement (the "February Private Placement"), which consisted of the issuance of 37,995,866 Units for gross proceeds of CDN \$1,139,876 (USD \$893,951) and the issuance 9,870,626 Units to settled CDN \$296,119 owing to an arm's length party. Each Unit consists of one common share and one-half of one common share purchase warrant (each whole warrant, a "Warrant") with each Warrant being exercisable into one common share at an exercise price of \$0.05 for a period of five years from the date of issuance, subject to adjustment upon certain customary events. The expiry date of the Warrants can be accelerated by the Company at any time following the date that is 4 month and one day after closing of the Private Placement and prior to the expiry date of the Warrants if the closing price of the common shares on the TSX Venture Exchange is greater than \$0.08 for any 10 non-consecutive trading days.

On March 10, 2020, the Company closed the first tranche of a non-brokered private placement (the "2020 Private Placement") of 80,798,400 common shares at a price of CDN \$0.015 per common share for gross proceeds of \$882,657 (CDN \$1,211,976). The Company paid \$6,644 in related transaction costs in the 2020 Private Placement.

SPECTRA7 MICROSYSTEMS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Three Months Ended March 31, 2021 and 2020

(Expressed in United States Dollars)

(b) Share-based compensation

The Company has established a stock option plan ("Option Plan") and a restricted share unit plan ("RSU Plan") with the intention of attracting, retaining and motivating employees, officers and directors.

The Company's Board of Directors determines, among other things, the eligibility of individuals to participate in the RSU Plan and the Option Plan and the term, vesting periods, and the exercise price of options granted under the Option Plan.

At the annual and special meeting of shareholders in June 2019, shareholders approved amendments to both the Stock Option Plan and the RSU Plan to provide that the combined maximum number of common shares reserved for issuance under both the Stock Option Plan and the RSU Plan, inclusive of existing stock options and RSUs, shall not exceed 47,838,517. The combined aggregate number of common shares reserved under the Stock Option Plan and the RSU Plan at March 31, 2021 was 43,368,718 common shares (December 31, 2020 - 43,733,061 common shares).

(i) Restricted Share Units (RSU)

Vesting is determined by the Company's Board of Directors at the time of grant. Vesting is contingent upon continuous service/employment through the specific vesting date. The fair value as of the grant date is used to determine the value.

The following table summarizes information about the Company's outstanding RSUs as at March 31, 2021 and 2020:

| | March 31, 2020 | March 31, 2019 |
|---------------------------------|-------------------|-------------------|
| | # | # |
| Balance, opening | 27,065,325 | 37,105,661 |
| Granted | - | - |
| Forfeited | (84,375) | (178,131) |
| Vested and common shares issued | - | (1,174,608) |
| Balance, ending | 26,980,950 | 35,752,922 |

During the three months ended March 31, 2021, nil RSUs were settled \$nil was transferred to common shares from share-based payment reserve (three month period ended March 31, 2020 - 1,453,998 RSUs were settled for \$109,638).

(ii) Stock options

Vesting is determined by the Company's Board of Directors at the time of grant. Vesting is contingent upon continuous service/employment through the specific vesting date and have an exercise price as set forth in the option certificate issued in respect of such option and in any event shall not be less than market price of the common shares as of the award date.

The expiry date of an option is fixed by the Board of Directors at the time the particular option is awarded, provided that the expiry date shall be no later than the date that is 10 years following the award date of such option, subject to earlier termination upon the option holder ceasing to be a director, officer, employee or consultant of the Company.

SPECTRA7 MICROSYSTEMS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
 Three Months Ended March 31, 2021 and 2020
 (Expressed in United States Dollars)

The following table summarizes information about the Company's outstanding stock options as at March 31, 2021 and 2020:

| | March 31, 2021 | | March 31, 2020 | |
|-------------------------------------|----------------------|------------------------------|----------------------|------------------------------|
| | Number of Options | Weighted Average Price | Number of Options | Weighted Average Price |
| | # | CDN \$ | # | CDN \$ |
| Options outstanding, opening | 16,667,736 | 0.07 | 2,226,639 | 0.56 |
| Granted | - | 0.00 | 8,575,000 | 0.03 |
| Forfeited | (859,968) | 0.03 | (390,631) | 0.88 |
| Options outstanding, ending | 15,807,768 | 0.03 | 10,411,008 | 0.11 |

During the three month period ended March 31, 2021, the Company reversed share-based compensation expenses of \$2,560 (three month period ended March 31, 2020 - \$8,532) as a result of the forfeitures.

The following table is a summary of the Company's stock options outstanding as at March 31, 2021:

| Exercise price range | Options Outstanding | | | Options Exercisable | |
|------------------------------------|-----------------------|---|---------------------------------------|-----------------------|---------------------------------------|
| | Number outstanding | Weighted average remaining contractual life (years) | Weighted average exercise price | Number exercisable | Weighted average exercise price |
| CDN \$ | # | # | CDN \$ | # | CDN \$ |
| 0.00 - 0.20 | 14,671,129 | 5.57 | 0.03 | 12,933,629 | 0.03 |
| 0.21 - 0.40 | 195,000 | 2.87 | 0.22 | 173,326 | 0.22 |
| 0.41 - 0.60 | 557,500 | 2.55 | 0.50 | 545,000 | 0.50 |
| 0.61 - 0.80 | 309,100 | 1.61 | 0.67 | 309,100 | 0.67 |
| 0.81 - 1.00 | 75,000 | 0.64 | 0.92 | 75,000 | 0.92 |
| Balance, March 31, 2021 | 15,807,729 | 5.33 | 0.61 | 14,036,055 | 0.07 |

SPECTRA7 MICROSYSTEMS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
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The following table is a summary of the Company's stock options outstanding as at March 31, 2020:

| Exercise price range CDN \$ | Number outstanding # | Options Outstanding | | Options Exercisable | |
|------------------------------------|-------------------------|--|---|-------------------------|---|
| | | Weighted average remaining contractual life (years) # | Weighted average exercise price CDN \$ | Number exercisable # | Weighted average exercise price CDN \$ |
| 0.00 - 0.20 | 8,675,000 | 6.85 | 0.03 | 39,581 | 0.19 |
| 0.21 - 0.40 | 356,878 | 4.35 | 0.22 | 241,448 | 0.22 |
| 0.41 - 0.60 | 747,500 | 2.91 | 0.48 | 630,407 | 0.47 |
| 0.61 - 0.80 | 556,630 | 1.93 | 0.69 | 549,250 | 0.69 |
| 0.81 - 1.00 | 75,000 | 1.64 | 0.92 | 75,000 | 0.92 |
| Balance, March 31, 2020 | 10,411,008 | 6.18 | 0.11 | 1,535,686 | 0.52 |

(iii) *Share based compensation expense*

For its RSU Plan and Option Plan, the Company recognized share-based compensation expense of \$83,155 for the three months ended March 31, 2021 (March 31, 2020 - \$157,831) with a corresponding amount recognized as share-based payment reserve.

The fair value of the RSUs is determined based upon the Company's stock price on the date of grant. There were 8,575,000 stock options granted during the three months ended March 31, 2020. The fair value of stock options granted during the three months ended March 31, 2020 was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

| | Three Months Ended March 31, 2020 |
|--------------------------|--------------------------------------|
| Dividend yield | 0% |
| Expected volatility | 36% |
| Risk free rate of return | 1.33% |
| Forfeiture rate | 10% |
| Expected life | 7 years |

Expected volatility is based on comparable companies listed on various exchanges. There was no activity during the three months ended March 31, 2021.

SPECTRA7 MICROSYSTEMS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Three Months Ended March 31, 2021 and 2020

(Expressed in United States Dollars)

(c) Warrants

The following table summarizes information about the Company's outstanding warrants as at March 31, 2021 and 2020:

| | March 31, 2021 | | March 31, 2020 | |
|--|----------------------------|--|----------------------------|--|
| | Number of Warrants # | Weighted Average Price CDN \$ | Number of Warrants # | Weighted Average Price CDN \$ |
| Balance, opening | 167,350,156 | 0.16 | 151,550,744 | 0.17 |
| Warrants component of January Private Placement (Note 6(a)) | 23,667,608 | 0.05 | - | - |
| Warrants component of February Private Placement (Note 6(a)) | 57,272,521 | 0.05 | - | - |
| Warrants expired | (22,182,975) | 0.50 | - | - |
| Broker warrants expired | - | - | (3,063,000) | 0.35 |
| Balance, ending | 226,107,310 | 0.20 | 148,487,744 | 0.17 |

SPECTRA7 MICROSYSTEMS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
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The following is a summary of the warrants outstanding as at March 31, 2021:

| Number of warrants outstanding | Exercise Price | Expiry Date |
|--|----------------|--------------------|
| Warrants ⁽¹⁾ | | |
| 14,168,145 | CDN \$0.1575 | July 6, 2023 |
| 16,206,114 | CDN \$0.225 | October 30, 2023 |
| 79,215,781 | CDN \$0.08 | August 21, 2024 |
| 10,523,452 | CDN \$0.05 | July 15, 2025 |
| 8,338,960 | CDN \$0.05 | September 25, 2025 |
| 80,940,126 | CDN \$0.05 | January 15, 2026 |
| Broker Warrants (Compensation Options) | | |
| 497,137 | CDN \$0.1575 | July 6, 2023 |
| 1,447,051 | CDN \$0.225 | October 30, 2023 |
| 12,565,531 | CDN \$0.05 | August 21, 2024 |
| Waiver Warrants | | |
| 2,205,010 | CDN \$0.30 | February 24, 2022 |

The following is a summary of the warrants outstanding as at March 31, 2020:

| Number of warrants outstanding | Exercise Price | Expiry Date |
|--|----------------|-------------------|
| Warrants ⁽¹⁾ | | |
| 22,182,975 | CDN \$0.50 | January 9, 2021 |
| 14,168,145 | CDN \$0.1575 | July 6, 2023 |
| 16,206,114 | CDN \$0.225 | October 30, 2023 |
| 79,215,781 | CDN \$0.08 | August 21, 2024 |
| Broker Warrants (Compensation Options) | | |
| 497,137 | CDN \$0.1575 | July 6, 2023 |
| 1,447,051 | CDN \$0.225 | October 30, 2023 |
| 12,565,531 | CDN \$0.05 | August 21, 2024 |
| Waiver Warrants | | |
| 2,205,010 | CDN \$0.30 | February 24, 2022 |

7. Related party transactions

The Company transacts with key individuals from management and with its directors who have authority and responsibility to plan, direct and control the activities of the Company. The nature of these dealings was in the form of payments for services rendered in their capacity as employees and as directors of the Company.

The Company's key management personnel are comprised of the Board of Directors and current and former members of the executive team of the Company.

SPECTRA7 MICROSYSTEMS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
Three Months Ended March 31, 2021 and 2020
(Expressed in United States Dollars)

Key management personnel compensation is comprised of the following:

| | Three Months Ended March 31, | |
|--|------------------------------|------------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Salaries, fees and short-term benefits | 80,999 | 1,189,038 |
| Share-based benefits | 65,933 | 140,322 |
| | 146,932 | 1,329,360 |

8. Economic dependence

During the three month period ended March 31, 2021, the Company derived approximately 97% of its revenue from two customers (three months ended March 31, 2020 – 97% from three customers).

9. Subsequent Events

On April 12, 2021, the Company announced that it intends to sell, on a brokered private placement basis, in one or more tranches, up to 220,000,000 units (the "Spring 2021 Units"). The Company has engaged Cormark Securities Inc. to offer the Spring 2021 Units for sale on a best efforts agency basis, at an issuance price of CDN\$0.03 per Spring 2021 Unit. Each Spring 2021 Unit consists of one common share and one common share purchase warrant (each whole warrant, a "Spring 2021 Warrant") with each Spring 2021 Warrant being exercisable into one common share for a period of five years from the date of issuance, subject to adjustment upon certain customary events.

On May 14, 2021, the Company closed the first tranche of the private placement consisting of the issuance of 170,689,567 Spring 2021 Units. The Company also completed a concurrent non-brokered offering of 12,700,800 Spring 2021 Units. In aggregate, the gross proceeds to the Company from the brokered and the non-brokered private placements was approximately CDN \$5.5 million (USD\$4.5 million). In connection with the closing, the Company paid a commission of CDN \$340,948 and issued 11,364,937 broker warrants, with each broker warrant being exercisable into a Spring 2021 Unit at a price of CDN \$0.03 for a period of two years.

Subsequent to March 31, 2021, the Company expects to issue 1,809,773 common shares in payment of the make-whole interest amount and paid CDN \$12,201 (USD\$14,711) in accrued interest owing pursuant to the conversion of CDN \$745,000 (USD\$898,246) of convertible debentures which were converted during the three months ended March 31, 2021.