

VAXXINATOR ENTERPRISES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(UNAUDITED)**

(Expressed in United States Dollars)

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Vaxxinator Enterprises Inc.

Condensed Consolidated Interim Statements of Financial Position (unaudited)

(Expressed in United States Dollars)

	As at	September 30,	December 31,
	Note(s)	2021	2020
		\$	\$
ASSETS			
Current assets			
Cash		5,135,825	1,415,494
Amounts receivable		81,335	19,522
Finance lease receivables	3	44,692	-
Prepaid expenses	4	1,313,179	9,927
Deposits	5	207,413	889,509
Inventory	6	853,213	46,784
		7,635,657	2,381,236
Non-current assets			
Equipment	7	25,698	-
Intellectual property	8	9,479,308	-
		9,505,006	-
TOTAL ASSETS		17,140,663	2,381,236
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9	395,587	152,810
Deferred revenue		66,000	-
TOTAL LIABILITIES		461,587	152,810
SHAREHOLDERS' EQUITY			
Share capital	10	22,524,702	2,704,431
Subscriptions received in advance	10	-	645,000
Obligation to issue shares	10	-	50,000
Stock options reserve	10	322,875	-
Warrants reserve		849,465	-
Deficit		(7,037,170)	(1,171,005)
		16,659,872	2,228,426
Non-controlling interest		19,204	-
TOTAL SHAREHOLDERS' EQUITY		16,679,076	2,228,426
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		17,140,663	2,381,236
Corporate information and continuance of operations	1		
Segmented information	12		
Subsequent events	1, 3, 10		

These unaudited condensed consolidated interim financial statements were approved for issue by the Board of Directors and signed on its behalf by:

/s/ Brian Meadows Director

/s/ Olivier Centner Director

See accompanying notes to these consolidated financial statements.

Vaxxinator Enterprises Inc.

Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss) (unaudited)
(Expressed in United States Dollars)

	Note(s)	For the three months ended		For the nine months ended	
		September	September	September	September
		30, 2021	30, 2020	30, 2021	30, 2020
		\$	\$	\$	\$
Revenue	3	23,585	-	76,585	-
Cost of goods sold	3	(16,775)	-	(49,287)	-
Gross margin		6,810	-	27,298	-
Expenses					
Consulting fees	4	845,351	-	2,562,535	-
Depreciation	7	2,369	-	2,725	-
Foreign exchange gain		(9,123)	-	(800)	(44)
General and administrative		69,857	-	224,784	-
Impairment of lease receivable	3	4,756	-	4,756	-
Management fees	4, 11	400,000	-	913,750	-
Professional fees		363,598	17,618	564,891	17,618
Regulatory and transfer agents		8,396	-	8,396	-
Rent		9,136	-	17,806	-
Research and development		163,587	-	726,771	-
Salaries and wages		66,150	-	130,092	-
Sales and marketing		20,887	-	337,926	-
Share-based payments	10	125,131	-	322,875	-
Travel		38,148	-	72,723	-
		(2,108,243)	(17,618)	(5,889,230)	(17,574)
Other expenses					
Finance income	3	1,858	-	2,971	-
Total loss and comprehensive loss		(2,099,575)	(17,618)	(5,858,961)	(17,574)
Income (loss) and comprehensive income (loss) attributable to:					
Shareholders of the Company		(2,098,151)	(17,618)	(5,866,165)	(17,574)
Non-controlling interests		(1,424)	-	7,204	-
		(2,099,575)	(17,618)	(5,858,961)	(17,574)
Basic and diluted earnings (loss) per share for the period presented (\$ per common share)		(0.03)	(4,404.50)	(0.09)	(4,393.50)
Weighted average number of common shares outstanding		71,052,227	4	62,482,831	4
- basic and diluted					

See accompanying notes to these consolidated financial statements.

Vaxxinator Enterprises Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (unaudited)
(Expressed in United States Dollars)

	Note(s)	Share capital		Subscriptions received in advance	Obligation to issue shares	Stock options reserve	Warrants reserve	Deficit	Total	Non- controlling interest	Total
		Number of shares	Amount								
		#	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at December 31, 2020		46,630,004	2,704,431	645,000	50,000	-	-	(1,171,005)	2,228,426	-	2,228,426
Shares issued for cash - private placement (net of share issue costs)	10	12,340,266	13,735,271	(645,000)	-	-	-	-	13,090,271	-	13,090,271
Shares issued for intellectual property	8, 10	7,600,000	3,800,000	-	-	-	-	-	3,800,000	-	3,800,000
Shares issued for settlement of accounts payable	10	100,000	50,000	-	(50,000)	-	-	-	-	-	-
Shares issued for services received	4, 10	4,470,000	2,235,000	-	-	-	-	-	2,235,000	-	2,235,000
Fair value of warrants issued for services	4, 10	-	-	-	-	-	849,465	-	849,465	-	849,465
Contributions from non-controlling interests	10	-	-	-	-	-	-	-	-	12,000	12,000
Share-based payments		-	-	-	-	322,875	-	-	322,875	-	322,875
Income (loss) for the period		-	-	-	-	-	-	(5,866,165)	(5,866,165)	7,204	(5,858,961)
Balance at September 30, 2021		71,140,270	22,524,702	-	-	322,875	849,465	(7,037,170)	16,659,872	19,204	16,679,076
Balance at December 31, 2019		4	4	-	-	-	-	(2,915)	(2,911)	-	(2,911)
Income for the period		-	-	-	-	-	-	(17,574)	(17,574)	-	(17,574)
Balance at September 30, 2020		4	4	-	-	-	-	(20,489)	(20,485)	-	(20,485)

See accompanying notes to these consolidated financial statements.

Vaxxinator Enterprises Inc.

Condensed Consolidated Interim Statements of Cash Flows (unaudited)

(Expressed in United States Dollars)

		For the nine months ended	
		September 30, 2021	September 30, 2020
	Note(s)	\$	\$
OPERATING ACTIVITIES			
Net loss		(5,858,961)	(17,574)
<i>Adjustments for items not affecting cash:</i>			
Depreciation	7	2,725	-
Share-based payments	10	322,875	-
Management and consulting fees paid by common shares	4	2,016,250	-
Fair value of warrants issued for services	10	707,887	-
Impairment of lease receivable	3	4,756	-
Change in non-cash working capital			
Amounts receivable		(61,813)	(2,281)
Finance lease receivable	3	(49,448)	-
Prepaid expenses	4	(942,924)	-
Deposits		682,096	-
Inventory		(806,429)	-
Accounts payable and accrued liabilities		242,777	19,855
Deferred revenue		66,000	-
Cash flow used in operating activities		(3,674,209)	-
INVESTING ACTIVITIES			
Purchase of equipment	7	(28,423)	-
Purchase of intellectual property	8	(5,679,308)	-
Cash flow used in investing activities		(5,707,731)	-
FINANCING ACTIVITIES			
Proceeds from share issuance, net of share issue costs	13,090,271	-	-
Contributions from non-controlling interests		12,000	-
Cash flow from financing activities		13,102,271	-
Increase in cash		3,720,331	-
Cash, beginning of period		1,415,494	-
Cash, end of period		5,135,825	-
SUPPLEMENTAL CASH FLOW			
Shares issued for debt settlement	10	50,000	-
Shares issued for intellectual property	8, 10	3,800,000	-
Shares issued for services included in prepaid expenses	4, 10	218,750	-
Fair value of warrants issued for services included in prepaid expenses	10	141,578	-
Finance lease arrangements	3	53,000	-
Cash paid during the period for interest		-	-
Cash paid during the period for income taxes		-	-

See accompanying notes to these consolidated financial statements.

Vaxxinator Enterprises Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Nine Months Ended September 30, 2021

(Expressed in United States Dollars)

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Vaxxinator Enterprises Inc. (“Vaxxinator” or the “Company”) was incorporated by Certificate of Incorporation issued pursuant to the provisions of the British Columbia Business Corporations Act on September 30, 2019. The Company is a biotechnology products company that researches, develops, and distributes proprietary and patented air purification and surface coatings (anti-viral products). The Company’s products are developed and manufactured with patented technology developed by leading a German scientist. The Company’s technologies are disruptive in nature and solve the real-world problems such as eliminating viruses and bacteria. The head office and the registered address of the Company is located at Suite 2300 - 550 Burrard Street, Vancouver, BC V6C 2B5. On October 14, 2020, The Better Tomorrow Project LLC (formerly Vaxxinator USA LLC) (“Vaxx USA”), a wholly-owned subsidiary of the Company, was incorporated under the laws of Florida. On February 22, 2021, Vaxxinator Lease Co., LLC (“Vaxx Lease”), of which 60% interest is held by Vaxx USA, was incorporated under the laws of the State of Nevada.

These unaudited condensed consolidated interim financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company’s ability to continue operations and fund future business activities is dependent on management’s ability to secure additional financing, and to generate profit through its operations. Management is actively pursuing additional sources of financing and sales opportunities. However, there is no assurance that they will be able to do so successfully. As such, these material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern. If the going concern assumption is not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, and the reported profit or loss and financial position classifications used. Such adjustments could be material.

Business combination

The Company and Atmofizer Technologies Inc. (formerly Consolidated HCI Holdings Corporation) (“Atmofizer”) entered into the Business Combination Agreement (BCA) dated effective July 15, 2021 for the purpose of effecting the Business Combination, pursuant to which Atmofizer will acquire all of the issued and outstanding common shares the Company. Completion of the transactions contemplated in the BCA will result in the reverse takeover (the “RTO”) of Atmofizer by Vaxxinator. The RTO was completed on November 12, 2021.

The RTO was effected by way of a “three-cornered” amalgamation involving the Company and Atmofizer under the Business Corporations Act (British Columbia) (the “BCBCA” and the “Amalgamation”). Immediately prior to the Amalgamation, Atmofizer consolidated its then Class B shares on 24.691:1 basis (the “Consolidation”), changed its name from “Consolidated HCI Holdings Corporation” to “Atmofizer Technologies Inc.” and was continued from a corporation existing under the Canada Business Corporations Act to a company existing under the BCBCA (the “Continuance”). Concurrent with the Continuance, Atmofizer re-designated its then class B shares to its common shares (“Atmofizer Common Shares”). As a result of the Amalgamation, (i) all issued and outstanding common shares of the Company (“Vaxxinator Shares”) were exchanged for Atmofizer Common Shares on a 1:1 basis; and (ii) all outstanding warrants and options to purchase Vaxxinator Shares were exchanged on an equivalent basis for warrants and options to purchase Atmofizer Common Shares. In connection with the closing of the RTO, Atmofizer paid a finder’s fee to an arm’s length party (the “Amalgamation Finder’s Fee”). Amalgamation Finder’s Fee was satisfied through the issuance of 833,333 Atmofizer Common Shares. As a result of the completion of the RTO, former holders of Vaxxinator Shares (“Vaxxinator Shareholders”) hold approximately 97.74% of the issued and outstanding Atmofizer Common Shares, and pre-RTO shareholders of Atmofizer now 1.13% of Atmofizer Common Shares, in each case, on a non-diluted basis, based on an aggregate of 73,880,271 Atmofizer Common Shares currently issued and outstanding.

Vaxxinator Enterprises Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Nine Months Ended September 30, 2021

(Expressed in United States Dollars)

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS (CONTINUED)

Business combination (continued)

Due to certain contractual lock-up agreements between former Vaxxinator Shareholders and Vaxxinator, an aggregate of 39,791,603 Atmofizer Common Shares issued to former Vaxxinator Shareholders are locked up from trading and will be gradually released from lockup over a period of 18 months from the listing of the Atmofizer Common Shares on the Canadian Securities Exchange (the "CSE").

COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. 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 is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION

Statement of compliance to International Financial Reporting Standards

These unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements comply with International Accounting Standard 34, Interim Financial Reporting.

Basis of presentation

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries. This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2020.

New accounting standards

There were no new or amended IFRS pronouncements effective January 1, 2021 that impacted these condensed consolidated interim financial statements.

There were no significant changes in accounting policies applied by the Company in these condensed consolidated interim financial statements compared to those used in the most recent annual consolidated financial statements of December 31, 2020, except for the followings:

Vaxxinator Enterprises Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Nine Months Ended September 30, 2021

(Expressed in United States Dollars)

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)**New accounting standards (continued)****Leases (Note 3)**

In case of lease contracts based on which the Company is acting as a lessor each of its leases is classified as either operating or finance lease. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. Examples of situations where the risks and rewards of ownership are considered as having been transferred to the lessee are as follows:

- the lease transfers ownership of the underlying asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the underlying asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception date, that the option will be exercised;
- the lease term is for the major part of the economic life of the underlying asset even if title is not transferred;
- at the inception date, the present value of the lease payments amounts to at least substantially all of the fair value of the underlying asset; or
- the underlying asset is of such a specialized nature that only the lessee can use it without major modifications.

Intangible assets (Note 8)

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognized at cost. Indefinite life intangible assets are not amortized and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortization and any impairment. The gains or losses recognized in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortization method or period.

During the nine months ended September 30, 2021, no amortization was charged on the intellectual property as it is not ready for use.

These unaudited condensed consolidated interim financial statements of the Company for the nine months ended September 30, 2021 were approved by the Board of Directors on November 29, 2021.

Vaxxinator Enterprises Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Nine Months Ended September 30, 2021

(Expressed in United States Dollars)

3. FINANCE LEASE RECEIVABLES**Finance lease arrangements**

The Company through its subsidiary, Vaxx Lease, entered into various lease arrangements (the "Leases") as a lessor that are considered to be finance leases. The Company leases equipment and as they transfer substantially all of the risks and rewards of ownership of the assets they are classified as finance leases.

On October 29, 2021 (the "Termination Date"), the Company entered into a termination agreement with the lessee to terminate the Lease effective on the Termination Date.

Pursuant to the termination agreement, the lesser is required to make a payment of \$44,692 plus applicable taxes (the "Settlement Payment") to the Company within 30 days of the Termination Date. In addition, the leased assets will be returned to the Company. As a result of the termination agreement, the Company revised the finance lease receivable as of September 30, 2021 to the pre-tax Settlement Payment recognized an impairment of lease receivable of \$4,756 during the nine months ended September 30, 2021.

Profit and loss information

	September 30, 2021	September 30, 2020
	\$	\$
Selling profit or loss	20,488	-
Finance income on the net investment in the lease	2,971	-
Income relating to variable lease payments not included in the measurement of the net investment in the lease	-	-

4. PREPAID EXPENSES

Prepaid expenses consist of amounts paid in advance for services which will be amortized over the term of the contract.

During the nine months ended September 30, 2021, the Company issued 1,500,000 common shares with fair value of \$750,000 to the Company's Chief Financial Officer for the management services to be provided during the year ended December 31, 2021 (Note 10). These amounts were initially classified as prepaid expenses and will be amortized over 12-month period. During the nine months ended September 30, 2021, \$562,500 was charged to the statement of loss and comprehensive loss as management fees.

During the nine months ended September 30, 2021, the Company issued 250,000 common shares with fair value of \$125,000 to the Company's advisor for the sales advisory services to be provided during the year ended December 31, 2021 (Note 10). These amounts were initially classified as prepaid expenses and will be amortized over 12-month period. During the nine months ended September 30, 2021, \$93,750 was charged to the statement of loss and comprehensive loss as consulting fees.

During the nine months ended September 30, 2021, the Company entered into an arm's-length agreements with consultants to provide management consulting services to the Company. The agreements are for a three-month term. The Company issued a total of 250,000 of its share purchases warrants with fair value of \$364,222 (Note 10) in consideration for the consulting services. Each warrant entitles its holder to purchase one additional common share at an exercise price of \$3.50 for a period of two-year from the date of issuance. During the nine months ended September 30, 2021, \$303,518 was charged to the statement of loss and comprehensive loss as consulting fees.

Vaxxinator Enterprises Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Nine Months Ended September 30, 2021

(Expressed in United States Dollars)

4. PREPAID EXPENSES (CONTINUED)

During the nine months ended September 30, 2021, the Company entered into an arm's-length agreements with a consultant in providing capital market advisory services to the Company. The agreements are for a three-month term. The Company issued a total of 333,333 of its share purchases warrants with fair value of \$ \$485,243 (Note 10) in consideration for the consulting services. Each warrant entitles its holder to purchase one additional common share at an exercise price of \$3.50 for a period of two-year from the date of issuance. During the nine months ended September 30, 2021, \$404,369 was charged to the statement of loss and comprehensive loss as consulting fees.

On May 17, 2021 (the "Effective Date"), the Company entered into an intellectual property license agreement (the "IP License Agreement") for the exclusive use of a licensed technology for a period of 99 years from the Effective Date (the "Term"). During the Term, the licensor will provide ongoing consultation and advisory services to the Company (the "Services"). During the nine months ended September 30, 2021, the Company made an advance to the licensor with the amount of \$363,568 (€310,000) for the research and development and technical advisory services. As of September 30, 2021, \$363,568 (€310,000) remains as prepaid expenses.

During the nine months ended September 30, 2021, the Company entered into an arms-length agreement with a marketing company for strategic digital media services, marketing and data analytics services. The agreement is for a one-year term. The Company paid \$200,000 in consideration for the consulting services. These amounts were initially classified as prepaid expenses and will be expensed when the services are provided. As of September 30, 2021, \$630,000 remains in prepaid expenses as vendor deposits.

5. DEPOSITS

As of September 30, 2021, the Company made a deposit of \$207,413 to one of its vendors for purchasing the inventory (December 31, 2020 – \$889,509).

6. INVENTORY

As of September 30, 2021, the Company has inventories of \$853,213 (December 31, 2020 – \$46,784). The inventories consist of inventory which are available for sale.

Vaxxinator Enterprises Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Nine Months Ended September 30, 2021

(Expressed in United States Dollars)

7. EQUIPMENT

	Computer equipment \$
Cost	
As at December 31, 2020	-
Additions	28,423
As at September 30, 2021	28,423
Depreciation	
As at December 31, 2020	-
Charged for the period	(2,725)
As at September 30, 2021	(2,725)
Net book value	
As at December 31, 2020	-
As at September 30, 2021	25,698

8. INTELLECTUAL PROPERTY**2020 Intellectual Property Licensing Agreements**

On September 16, 2020, the Company entered into two intellectual property agreements with Vaxxinator Coating B.V. ("Vaxxinator Coating") and Vaxxinator Air B.V. ("Vaxxinator Air") to acquire co-ownership rights to certain surface coating products and air purification products (the "2020 IP Agreements"). As consideration under the 2020 IP Agreements, during the year ended December 31, 2020, the Company issued 7,500,000 common shares with fair value of \$150,000. The 2020 IP Agreements were further amended on May 17, 2021.

Pursuant to IAS 38 "Intangible Assets", the 2020 IP Agreements did not meet the criterion for recognized as intangible assets; as a result, the Company recognized the \$150,000 as of research and development expenses during the year ended December 31, 2020.

2021 Intellectual Property Licensing Agreements

On May 17, 2021, the Company entered into additional intellectual property agreements with Vaxxinator Coating, Smart Material Printing B.V. ("Smart Material") and Windplussonne GmbH ("Windplussonne") for the exclusive use of certain air purification technology (the "2021 IP Agreements"). As consideration under 2021 IP Agreements, the Company issued 7,600,000 common shares with fair value of \$3,800,000 and paid cash in the aggregate amount of \$5,446,000 (€4,500,000).

The 2021 IP Agreements consist of two (2) upstream exclusive licenses granted by each of Smart Material and Windplussonne to Vaxxinator Coating, with each agreement effective as of May 17, 2021. Contemporaneously, Vaxxinator Coating licensed the technologies of Smart Material and Windplussonne to Vaxxinator in a downstream exclusive license to Vaxxinator. There are two further addendums to the downstream license dated May 17, 2021 and June 22, 2021. The 2021 IP Agreements have a common feature that the license fields include (i) air and water purification technology capable of removing viruses, bacteria, Ultrafine Particles including mold and spores through aggregation; and (ii) thin coating with virucidal and bactericidal materials for use in combatting viruses and bacteria on surfaces (the "Licensed Fields").

In addition, the Company incurred professional fees of \$233,308 during the nine months ended September 30, 2021. Pursuant to IAS 38 "Intangible Assets", the Company capitalized these fees as intellectual property and will amortize over the life of the intellectual property.

Vaxxinator Enterprises Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Nine Months Ended September 30, 2021

(Expressed in United States Dollars)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities are broken down as follows:

	September 30, 2021	December 31, 2020
	\$	\$
Trade payables	361,804	148,060
Accrued liabilities	29,033	-
Other payables	4,750	4,750
	395,587	152,810

10. SHARE CAPITAL**Authorized share capital**

Unlimited number of common shares without par value.

Issued share capital

At September 30, 2021, the Company had 71,140,270 (December 31, 2020 – 46,630,004) common shares issued and outstanding with a value of \$22,524,702 (December 31, 2020 – \$2,704,431).

During the nine months ended September 30, 2021

- On February 5, 2021, the Company completed a private placement and issued 4,940,000 common shares at a price of \$0.50 per share for gross proceeds of \$2,470,000 of which \$645,000 was received during the year ended December 31, 2020.
- On May 17, 2021, the Company issued 7,600,000 Common Shares upon execution of the IP License Agreement.
- The Company completed a private placement of 3,828,266 units (the "Units") at a price of \$3.00 per Unit for gross proceeds of \$11,484,798. The private placement was completed in different tranches. Each Unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitles its holder to purchase one additional common share at an exercise price of \$3.50 for a period of two-year from the date of issuance of the warrants, subject to acceleration in the event that the common shares of the Company trade on a recognized Canadian stock exchange and the volume-weighted average price is equal or greater to \$7.00 for five consecutive trading days.
- The Company issued 1,500,000 common shares with fair value of \$750,000 to the Company's Chief Financial Officer for the management services to be provided during the year ended December 31, 2021 (Note 4).
- The Company issued 250,000 common shares with fair value of \$125,000 to the Company's advisor for the sales advisory services to be provided during the year ended December 31, 2021 (Note 4).
- The Company issued 2,620,000 common shares with fair value of \$1,310,000 to various consultants for the consulting services provided during the nine months ended September 30, 2021.
- The Company issued 100,000 common shares with fair value of \$50,000 to one of the legal counsels of the Company for the legal services provided the nine months ended September 30, 2021.
- The Company issued 100,000 common shares with fair value of \$50,000 to a vendor to settle the outstanding payables. This amount was recorded as obligation to issue shares as of December 31, 2020.

Vaxxinator Enterprises Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Nine Months Ended September 30, 2021

(Expressed in United States Dollars)

10. SHARE CAPITAL (CONTINUED)

Issued share capital (continued)

- In connection with private placements completed during the nine months ended September 30, 2021, the Company incurred share issue costs of \$2,005,527 of which \$1,786,000 was satisfied by issuing 3,572,000 common shares of the Company.

Subsequent to September 30, 2021

- The Company issued 73,333 Units at a price of \$3.00 per Unit for gross proceeds of \$220,000.
- On October 26, 2021, the Company entered into a sponsorship agreement with Steinbrenner Racing, LLC ("Steinbrenner Racing") to become the official supply sponsor of Steinbrenner Racing for a sponsorship fee of \$3,000,000 (the "Sponsorship Fee").

On October 26, 2021, Steinbrenner Racing agreed to subscribe 1,000,000 common shares of the Company for an aggregate price of \$3,000,000 (the "Subscription Amount").

The Company and Steinbrenner Racing agreed to set off the Sponsorship Fee with Subscription Amount.

Warrants

The changes in warrants during the nine months ended September 30, 2021 are as follows:

	Number outstanding	Weighted average exercise price (\$)
Balance, beginning of period	-	-
Issued	2,497,461	3.50
Balance, end of period	2,497,461	3.50

During the nine months ended September 30, 2021

- The Company entered into an arm's-length agreements with a consultant to provide management consulting services to the Company. The agreements are for a three-month term. The Company issued a total of 250,000 of its share purchases warrants in consideration for the consulting services. Each warrant entitles its holder to purchase one additional common share at an exercise price of \$3.50 for a period of two-year from the date of issuance.

The Company estimated the fair value of finders' warrants using the Black-Scholes options pricing model, assuming a risk-free interest rate of 0.47%, an expected life of 2 years, an expected volatility of 100% and an expected dividend yield of 0%, which totaled \$364,222, and recorded these values initially as prepaid expenses (Note 4) and will amortize over the term of the agreement.

- The Company entered into an arm's-length agreements with a consultant in providing capital market advisory services to the Company. The agreements are for a three-month term. The Company issued a total of 333,333 of its share purchases warrants in consideration for the consulting services. Each warrant entitles its holder to purchase one additional common share at an exercise price of \$3.50 for a period of two-year from the date of issuance.

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10. SHARE CAPITAL (CONTINUED)**Warrants (continued)**

The Company estimated the fair value of finders' warrants using the Black-Scholes options pricing model, assuming a risk-free interest rate of 0.39%, an expected life of 2 years, an expected volatility of 100% and an expected dividend yield of 0%, which totaled \$485,243, and recorded these values initially as prepaid expenses (Note 4) and will amortize over the term of the agreement.

The following summarizes information about stock options outstanding and exercisable at September 30, 2021:

Expiry date	Exercise price (\$)	Warrants outstanding	Estimated grant date fair value (\$)	Weighted average remaining contractual life (in years)
May 17, 2023	3.50	479,564	-	1.63
May 27, 2023	3.50	387,499	-	1.65
June 7, 2023	3.50	122,066	-	1.68
June 28, 2023	3.50	250,000	-	1.74
July 7, 2023	3.50	674,999	-	1.77
July 9, 2023	3.50	250,000	364,222	1.77
July 19, 2023	3.50	333,333	485,243	1.80
		2,497,461	849,465	1.72

Stock options

The Company does not have a formal stock option plan, any historical grants of stock options occurred outside of any formal plan. Stock options to purchase common shares have been granted to executives, directors, and consultants at exercise prices determined by the Board of Directors at the time such stock options were granted. The Board of Directors also set vesting provisions, and maximum option life terms.

The changes in options during the nine months ended September 30, 2021 are as follows:

	Number outstanding	Weighted average exercise price (\$)
Balance, beginning of period	-	-
Granted	1,800,000	0.50
Balance, end of period	1,800,000	0.50

On April 15, 2021, the Company granted 1,800,000 options with an exercise price of \$0.50 to the Company's Chief Executive Officer (the "CEO"). The options are exercisable for a period of five years. The options will vest evenly over the twenty-four months period immediately after the grant date.

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10. SHARE CAPITAL (CONTINUED)**Stock options (continued)**

There were no options granted, exercised or expired during the nine months ended September 30, 2020.

The estimated grant date fair value of the options granted during the nine months ended September 30, 2021 calculated using the Black-Scholes option pricing model with the following assumptions:

Number of options granted	1,800,000
Risk-free interest rate	0.27%
Expected annual volatility	100%
Expected life (in years)	3.00
Expected dividend yield	0%
Grant date fair value per option (\$)	0.31
Share price at grant date (\$)	0.50

During the nine months ended September 30, 2021, the Company recognized share-based payments of \$322,875 (September 30, 2020 – \$nil).

The following summarizes information about stock options outstanding and exercisable at September 30, 2021:

Expiry date	Exercise price (\$)	Options outstanding	Options exercisable	Estimated grant date fair value (\$)	Weighted average remaining contractual life (in years)
April 15, 2026	0.50	1,800,000	450,000	553,578	4.54

Non-controlling interest

The following schedule shows the effects of the changes in non-controlling interest regarding the 40% ownership of Vaxx Lease during the nine months ended September 30, 2021:

	\$
Balance as of December 31, 2020	-
Contributions	12,000
Share of income	7,204
Balance as of September 30, 2021	19,204

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11. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. The Company has identified its directors and officers as its key management personnel. Other related parties to the Company include companies in which key management has control or significant influence.

During the nine months ended September 30, 2021, the short-term benefits incurred for the key management personnel were \$700,000 (September 30, 2020 – \$nil) of which \$562,500 was settled by issuing the common shares of the Company. As discussed in Note 4, during the nine months ended September 30, 2021, the Company issued 1,500,000 common shares with fair value of \$750,000 to the Company's Chief Financial Officer for the management services to be provided during the year ended December 31, 2021. During the nine months ended September 30, 2021, \$562,500 (September 30, 2020 – \$nil) was charged to the statement of income (loss) and comprehensive income (loss) as management fees.

In addition, during the nine months ended September 30, 2021, the Company granted 1,800,000 options (September 30, 2020 – nil) with an exercise price of \$0.50 to the CEO and recognized share-based payments of \$ 322,875 (September 30, 2020 – \$nil).

During the nine months ended September 30, 2021, the Company incurred \$278,460 (September 30, 2020 – \$nil) in development expenses with a company that was 49% owned by the Company's CEO for internet connectivity and application development for its air purification products. The Company will own the software and application at the end of the project.

12. SEGMENTED INFORMATION

During the nine months ended September 30, 2021, the Company was operating only in the air-purification segment.

13. CAPITAL MANAGEMENT

The Company's objective when managing capital is to maintain adequate levels of funding in order to safeguard the Company's ability to continue as a going concern, fund its planned activities and commitments and retain financial flexibility to respond to unforeseen future events and circumstances. The Company manages and makes adjustments to its capital structure based on the level of funds on hand and anticipated future expenditures. To maintain or adjust its capital structure, the Company may issue new equity instruments, new debt, or acquire and/or dispose of assets.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the nine months ended September 30, 2021.

The Company is not subject to any externally imposed capital restrictions.

Vaxxinator Enterprises Inc.

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14. FINANCIAL INSTRUMENTS**Fair value**

The carrying values of cash, amounts receivable, accounts payable and accrued liabilities approximate their fair values due to the relatively short period to maturity of those financial instruments. The carrying value of the Company's finance lease receivables approximates its fair value as it has been discounted with implicit interest rate.

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: Inputs that are not based on observable market data.

As at September 30, 2021 and December 31, 2020, the financial instrument recorded at fair value on the consolidated statement of financial position is cash which is measured using Level 1 of the fair value hierarchy.

Set out below are the fair value of the Company's financial assets and financial liabilities by category:

September 30, 2021	FVTPL	Amortized costs	FVTOCI
\$	\$	\$	\$
Financial assets:			
ASSETS			
Cash 5,135,825	5,135,825	-	-
Amounts receivable 81,335	-	81,335	-
Finance lease receivables 44,692	-	44,692	-
Financial liabilities:			
LIABILITIES			
Accounts payable and accrued liabilities 395,587	-	395,587	-
December 31, 2020	FVTPL	Amortized costs	FVTOCI
\$	\$	\$	\$
Financial assets:			
ASSETS			
Cash 1,415,494	1,415,494	-	-
Amounts receivable 19,522	-	19,522	-
Financial liabilities:			
LIABILITIES			
Accounts payable and accrued liabilities 152,810	-	152,810	-

Vaxxinator Enterprises Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

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14. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Credit risk

Credit risk is such that a counterparty to a financial instrument will not discharge its obligations resulting in a financial loss to the Company. The Company has procedures in place to minimize its exposure to credit risk.

Company management evaluates credit risk on an ongoing basis including counterparty credit rating and activities related to receivables and other counterparty concentrations as measured by amount and percentage.

The primary sources of credit risk for the Company arise from cash, amounts receivable and finance lease receivable. The Company's maximum exposure to credit risk is minimal as cash is deposited with reputable financial institutions.

The majority of the amounts receivable are due from a government agency.

For finance lease receivable, the Company deals with creditworthy counterparties to mitigate the risk of financial loss from defaults. The Company monitors the credit risk of customers through credit rating reviews.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due. As of September 30, 2021, the Company had cash of \$5,135,825 to meet short-term business requirements. As of September 30, 2021, the Company had accounts payable and accrued liabilities of \$395,587.

Market risk

The significant market risks to which the Company is exposed are interest rate risk, currency risk, other price risk, and commodity price risk.

- Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as no financial instruments of the Company as of September 30, 2021 are interest-bearings.

- Currency risk

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company's cash, amounts receivable and accounts payable and accrued liabilities are held in USD, Canadian Dollars ("CA\$"), and European Dollar ("Euro" or "€"); therefore, CA\$ and Euro accounts are subject to fluctuation against the Canadian dollar.

Vaxxinator Enterprises Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

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(Expressed in United States Dollars)

14. FINANCIAL INSTRUMENTS (CONTINUED)**Financial risk management (continued)****Market risk (continued)**

- Currency risk (continued)**

The Company had the following balances in foreign currency as at September 30, 2021:

	US\$	CA\$	EURO\$
Cash	5,091,865	55,871	-
Amounts receivable	33,759	60,467	-
Finance lease receivables	44,692	-	-
Accounts payable and accrued liabilities	(148,126)	(303,489)	(7,484)
	5,022,190	(187,151)	(7,484)
Rate to convert to \$1.00 USD	1.00000	0.78681	1.15888
Equivalent to USD	5,022,190	(147,252)	(8,673)

Based on the above net exposures as at September 30, 2021, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the USD against the CAD and EURO would increase/decrease comprehensive loss by \$15,000.