ATMOFIZER TECHNOLOGIES INC.

(formerly Consolidated HCI Holdings Corporation)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in United States Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Atmofizer Technologies Inc. (formerly Consolidated HCI Holdings Corporation)

Opinion

We have audited the accompanying consolidated financial statements of Atmofizer Technologies Inc. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficit), and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that 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. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Erez Bahar.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 29, 2022

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(Expressed in United States Dollars)

As at	Note(s)	December 31, 2021 $	December 31, 2020 $
ASSETS			
Current assets			
Cash		1,909,675	1,415,494
Amounts receivable	4	488,195	19,522
Prepaid expenses	5	2,855,236	899,436
Inventory	6	667,689	46,784
		5,920,795	**2,381,236**
Non-current assets			
Prepaid expenses	5	1,500,000	-
Equipment	7	24,391	-
Intellectual property	8	9,043,728	-
		10,568,119	**-**
TOTAL ASSETS		**16,488,914**	**2,381,236**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9	1,483,342	152,810
Notes payable	10	293,511	-
TOTAL LIABILITIES		**1,776,853**	**152,810**
SHAREHOLDERS' EQUITY			
Share capital	11	32,012,790	2,704,431
Subscriptions received in advance	11	300	645,000
Obligation to issue shares	11	-	50,000
Stock options reserve	11	383,142	-
Warrants reserve	11	849,465	-
Restricted share unit reserve	11	4,061,561	-
Accumulated other comprehensive income (loss)		4,233	-
Deficit		(22,606,211)	(1,171,005)
		14,705,280	2,228,426
Non-controlling interest	11	6,781	-
TOTAL SHAREHOLDERS' EQUITY		**14,712,061**	**2,228,426**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**16,488,914**	**2,381,236**

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

/s/ Michael Galloro Director **/s/ Olivier Centner Director**

(Expressed in United States Dollars)

		For the year ended	
		December 31,	December 31,
		2021	2020
	Note(s)	$	$
Revenue		**497,280**	**-**
Cost of goods sold		**(414,081)**	**-**
Gross margin		**83,199**	**-**
Expenses			
Amortization	8	475,986	-
Consulting fees	14	3,741,995	679,483
Depreciation	7	5,156	-
Foreign exchange loss (gain)		(3,797)	13,453
General and administrative		339,492	32,775
Impairment of lease receivable		4,756	-
Investor relations and promotion		-	18,000
Management fees	14	1,146,250	47,500
Professional fees		848,509	156,033
Regulatory and transfer agents		64,698	883
Rent		17,806	-
Research and development		942,538	161,774
Salaries and wages	14	340,336	-
Sales and marketing		867,101	52,571
Share-based payments	14	4,280,108	-
Travel		109,780	5,618
		(13,180,714)	**(1,168,090)**
Other expenses			
Finance costs		(1,978)	-
Finance income		2,971	-
Write-off of advance payments	5	(1,235,513)	-
Listing expenses	3	(7,096,390)	-
Loss for the year		**(21,428,425)**	**(1,168,090)**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		4,233	-
Total loss and comprehensive loss		**(21,424,192)**	**(1,168,090)**
Income (loss) and comprehensive income (loss) attributable to:			
Shareholders of Atmofizer Technologies Inc.		(21,430,973)	(1,168,090)
Non-controlling interests		6,781	-
		(21,424,192)	**(1,168,090)**
Basic and diluted loss per share for the year presented ($ per common share)		**(0.33)**	**(0.15)**
Weighted average number of common shares outstanding - basic and diluted		**65,069,053**	**8,033,856**

(Expressed in United States Dollars)

		Share capital											
	Note(s)	Number of shares	Amount	Subscriptions received in advance	Obligation to issue shares	Stock options reserve	Warrants reserve	Restricted share unit reserve	Deficit	Accumulated other comprehensive income	Total	Non-controlling interest	Total
		#	$	$	$	$	$	$	$	$	$	$	$
Balance at December 31, 2019		**4**	**4**	**-**	**-**	**-**	**-**	**-**	**(2,915)**	**-**	**(2,911)**	**-**	**(2,911)**
Shares issued for cash - private placement		16,320,000	2,040,000	-	-	-	-	-	-	-	**2,040,000**	-	**2,040,000**
Shares issued for intellectual property		7,500,000	150,000	-	-	-	-	-	-	-	**150,000**	-	**150,000**
Shares issued for settlement of accounts payable		88,000	44,000	-	-	-	-	-	-	-	**44,000**	-	**44,000**
Shares issued for services received		22,722,000	561,000	-	-	-	-	-	-	-	**561,000**	-	**561,000**
Share issue costs		-	(90,573)	-	-	-	-	-	-	-	**(90,573)**	-	**(90,573)**
Share subscriptions received		-	-	645,000	-	-	-	-	-	-	**645,000**	-	**645,000**
Consulting fees to be paid by shares		-	-	-	50,000	-	-	-	-	-	**50,000**	-	**50,000**
Loss for the year		-	-	-	-	-	-	-	(1,168,090)	-	**(1,168,090)**	-	**(1,168,090)**
Balance at December 31, 2020		**46,630,004**	**2,704,431**	**645,000**	**50,000**	**-**	**-**	**-**	**(1,171,005)**	**-**	**2,228,426**	**-**	**2,228,426**

Atmofizer Technologies Inc.
(formerly Consolidated HCI Holdings Corporation)
Consolidated Statements of Changes in Shareholders' Equity (Deficit) (Continued)
(Expressed in United States Dollars)

	Note(s)	Number of shares	Amount	Subscriptions received in advance	Obligation to issue shares	Stock options reserve	Warrants reserve	Restricted share unit reserve	Deficit	Accumulated other comprehensive income	Total	Non-controlling interest	Total
		#	$	$	$	$	$	$	$	$	$	$	$
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)		12,413,599	13,955,271	(645,000)	-	-	-	-	-	-	**13,310,271**	-	**13,310,271**
Shares issued for intellectual property	8	7,600,000	3,800,000	-	-	-	-	-	-	-	**3,800,000**	-	**3,800,000**
Shares issued for settlement of accounts payable		100,000	50,000	-	(50,000)	-	-	-	-	-	**-**	-	**-**
Shares issued for services included in prepaid expenses	5	1,000,000	3,000,000	-	-	-	-	-	-	-	**3,000,000**	-	**3,000,000**
Shares issued for services received		4,470,000	2,235,000	-	-	-	-	-	-	-	**2,235,000**	-	**2,235,000**
Shares issued for cash - exercise of warrants		50,000	175,000	-	-	-	-	-	-	-	**175,000**	-	**175,000**
Shares issued for reverse takeover	3	1,666,667	6,093,088	-	-	-	-	-	-	-	**6,093,088**	-	**6,093,088**
Fair value of options issued for reverse takeover	3	-	-	-	-	164,595	-	-	-	-	**164,595**	-	**164,595**
Share subscriptions received		-	-	300	-	-	-	-	-	-	**300**	-	**300**
Fair value of warrants issued for services		-	-	-	-	-	849,465	-	-	-	**849,465**	-	**849,465**
Share-based payments		-	-	-	-	218,547	-	4,061,561	-	-	**4,280,108**	-	**4,280,108**
Other comprehensive income		-	-	-	-	-	-	-	-	4,233	**4,233**	-	**4,233**
Loss for the year		-	-	-	-	-	-	-	(21,435,206)	-	**(21,435,206)**	6,781	**(21,428,425)**
Balance at December 31, 2021		**73,930,270**	**32,012,790**	**300**	**-**	**383,142**	**849,465**	**4,061,561**	**(22,606,211)**	**4,233**	**14,705,280**	**6,781**	**14,712,061**

(Expressed in United States Dollars)

		For the year ended	
	Note(s)	December 31, 2021 $	December 31, 2020 $
OPERATING ACTIVITIES			
Net loss		(21,428,425)	(1,168,090)
Adjustments for items not affecting cash:			
Amortization	8	475,986	-
Depreciation	7	5,156	-
Share-based payments		4,280,108	-
Management and consulting fees paid by common shares		2,235,000	561,000
Consulting fees to be paid by common shares		-	50,000
Common shares issued for intellectual property		-	150,000
Interest on note payable	10	1,456	-
Fair value of warrants issued for services		849,465	-
Impairment of lease receivable		4,756	-
Write-off of advance payments	5	1,235,513	-
Listing expenses	3	7,096,390	-
Change in non-cash working capital			
Amounts receivable		(468,673)	(19,196)
Finance lease receivable		(4,756)	-
Prepaid expenses		(1,667,305)	(899,436)
Inventory		(620,905)	(46,784)
Accounts payable and accrued liabilities		1,279,316	118,691
Cash flow used in operating activities		**(6,726,918)**	**(1,253,815)**
INVESTING ACTIVITIES			
Purchase of equipment	7	(29,547)	-
Purchase of intellectual property	8	(5,719,714)	-
Cash paid for reverse takeover, net of cash acquired	3	(515,059)	-
Cash flow used in investing activities		**(6,264,320)**	**-**
FINANCING ACTIVITIES			
Proceeds from share issuance, net of share issue costs		13,485,271	2,024,309
Shares subscribed		300	645,000
Cash flow from financing activities		**13,485,571**	**2,669,309**
Effects of exchange rate changes on cash		(152)	-
Increase in cash		**494,181**	**1,415,494**
Cash, beginning of year		**1,415,494**	**-**
Cash, end of year		**1,909,675**	**1,415,494**
Supplemental cash flow	13		

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Atmofizer Technologies Inc. (formerly Consolidated HCI Holdings Corporation) (the "Company" or "ATMO") is an Ontario-based publicly traded company which, effective September 21, 2017, commenced trading on the NEX under the trading symbol CXA.H.

On July 14, 2021, the Company entered into a definitive business combination agreement (the "Combination Agreement") with Vaxxinator Enterprises Inc. ("Vaxxinator"), and 1314092 B.C Ltd., a wholly-owned subsidiary of the Company. Completion of the transactions in the Combination Agreement resulted in the reverse takeover of the Company by Vaxxinator (the "RTO"). Pursuant to the Combination Agreement, the Company and Vaxxinator completed an arm's length business combination by way of a three-cornered amalgamation pursuant to the provisions of the Business Corporations Act (British Columbia) (the "BCBCA"). The Company's shares have been consolidated on a 24.691:1 basis (the "Shares Consolidation").

On November 15, 2021, the Company closed the RTO (the "Transaction") with Vaxxinator. In connection with the RTO, the Company voluntarily delisted from the TSXV and commenced trading on the Canadian Securities Exchange (the "CSE").

The Transaction was accounted for as a reverse acquisition of the ATMO by Vaxxinator for accounting purposes, with Vaxxinator being identified as the accounting acquirer, and accordingly, these consolidated financial statements are a continuation of Vaxxinator. The net assets of ATMO at the date of the RTO are deemed to have been acquired by Vaxxinator (Note 3). These consolidated financial statements (the "financial statements") include the results of operations of ATMO from November 15, 2021 to December 31, 2021. The comparative figures are those of Vaxxinator prior to the RTO.

Vaxxinator was incorporated by Certificate of Incorporation issued pursuant to the provisions of the British Columbia Business Corporations Act on September 30, 2019. Vaxxinator is a clean air and clean water solutions provider that is focused on commercializing its proprietary technology through stand alone, integrated and licensed applications across business, consumer, medical and industrial applications. On October 14, 2020, The Better Tomorrow Project LLC (formerly Vaxxinator USA LLC) ("TBTP"), a wholly-owned subsidiary of Vaxxinator, was incorporated under the laws of Florida. On February 22, 2021, Vaxxinator Lease Co., LLC ("Vaxx Lease"), of which 60% interest is held by TBTP, was incorporated under the laws of the State of Nevada.

The head office and the registered address of the Company is located at Suite 2300 - 550 Burrard Street, Vancouver, BC V6C 2B5.

These consolidated 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.

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS (CONTINUED)

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 consolidated 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").

The policies set out below were consistently applied to all periods presented unless otherwise noted below.

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The consolidated financial statements of the Company for the year ended December 31, 2021 and 2020 were approved by the Board of Directors on April 29, 2022.

Basis of preparation

These consolidated financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective on December 31, 2021. In addition, these financial statements are presented in United States dollars (USD).

Basis of consolidation

These consolidated financial statements comprise the accounts of the Company and the followings subsidiaries:

- Vaxxinator Enterprises Inc., a company incorporated under the laws of British Columbia (ownership – 100%);
- The Better Tomorrow Project LLC, a company incorporated under the laws of the State of Florida (ownership – 100%); and
- Vaxxinator Lease Co., LLC, a company incorporated under the laws of the State of Nevada) (ownership – 60%).

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)
The Company and its subsidiaries have a reporting date of December 31.

- ***Subsidiaries***
  A subsidiary is an entity over which the Company has power to govern the operating and financial policies in order to obtain benefits from its activities. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiary after eliminating inter-entity balances and transactions.

- ***Acquisitions***
  The results of businesses acquired during the reporting period are brought into the consolidated financial statements from the date the control is transferred; the results of businesses sold during the reporting period are included in the consolidated financial statements for the period up to the date the control is ceased.

- ***Disposals***
  Gains or losses on disposal are calculated as the difference between the sale proceeds (net of expenses) and the net assets attributable to the interest which has been sold. Where a disposal represents a separate major line of business or geographical area of operations, the net results attributable to the disposed entity are shown separately in the statement of loss and comprehensive loss.

These financial statements account for ATMO as a controlled entity (accounting acquiree) requiring consolidation since the date of the RTO (Notes 1 and 3), effective November 15, 2021.

Significant management judgment and estimates in applying accounting policies
The preparation of these financial statements requires management to make certain estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, 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:

- **Critical accounting estimates**

  Share-based payment transactions
  The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Significant management judgment and estimates in applying accounting policies (continued)

Shares issued for services

The Company has applied estimates with respect to the valuation of shares issued for non-cash consideration, specifically relating to shares issued for services and for debt settlement. the Company measures the goods or services received at the more reliable measure of the fair value of the goods and services received, or the fair value of the equity instruments granted. When no market price is available, a valuation technique is used to determine what price the equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties. In the case of the Company, the fair value of the shares issued prior to the RTO was estimated with reference to the price of recent private placement closed. The fair value of the shares issued after the RTO was estimated based on the market value of the shares.

Inventories

Inventories are measured at the lower of cost and net realizable value, with cost determined using the average cost method. In estimating net realizable values, management takes into account the most reliable evidence available at the time the estimates are made. The Company evaluates its inventories using a group of similar items basis and considers expected future prices as well as events that have occurred between the consolidated statement of financial position date and the date of the completion of the consolidated financial statements. Net realizable value for inventory to satisfy a specific sales contract is measured at the contract price.

The level of the provision for impairment of inventories is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Impairment of non-financial assets

Non-financial assets including the equipment and intellectual property are reviewed for an indication of impairment at each statement of financial position date upon the occurrence of events or changes in circumstances indicating that the carrying value of the assets may not be recoverable, which requires significant judgement.

An impairment loss is recognized for the amount by which an asset's or CGU's carrying amount exceeds its recoverable amount, which is the higher of fair value less cost of disposal and value in use.

An intangible asset and related equipment that are not yet available for their intended use are tested for impairment at least annually, which also requires significant judgement. To determine the recoverable amount (fair value less cost to dispose of these assets), management estimates expected future cash flows from the assets 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. These key assumptions relate to future events and circumstances. The actual results will vary and may cause adjustments to the Company's intangible and tangible assets in future periods. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and to asset-specific risk factors.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Significant management judgment and estimates in applying accounting policies (continued)

Income taxes and recoverability of potential deferred tax assets
In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence.

Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

- **Critical accounting judgments**

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Determination of going concern (note 1)
The preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

Determination of functional currency
In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", the functional currency is the currency of the primary economic environment in which the Company and its subsidiary operates. The functional currencies of the Company and its subsidiaries are Canadian dollar ("CAD") and USD, respectively.

Foreign exchange

- Translation of foreign transactions and balances into the functional currency
  Foreign currency transactions are translated into the functional currency of the underlying entity using appropriate average rates of exchange. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange in effect at the end of each reporting period. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

- Translation of the functional currency into the presentation currency
  The results of foreign operations which have a different functional currency of the Company are translated to Canadian dollars at appropriate average rates of exchange during the year and are included in other comprehensive income (loss). The assets and liabilities of foreign operations are translated to the presentation currency (USD) at rates of exchange in effect at the end of the period. Gains or losses arising on translation of foreign operation's assets and liabilities to USD at period end are recognized in accumulated other comprehensive income (loss) as a foreign currency translation adjustment. When a foreign operation is sold, such exchange differences are recognized in profit or loss as part of the gain or loss on sale.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, highly liquid investments that are readily convertible into a known amount of cash and which are subject to insignificant risk of changes in value, net of bank overdrafts which are repayable on demand. As at December 31, 2021 and 2020, the Company did not have any cash equivalents.

Financial instruments

- **Financial assets**

  Classification and measurement

  The Company classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

  The classification of debt instruments is driven by the business model for managing the financial assets and their contractual cash flow characteristics. Debt instruments are measured at amortized cost if the business model is to hold the instrument for collection of contractual cash flows and those cash flows are solely principal and interest. If the business model is not to hold the debt instrument, it is classified as FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

  Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL, for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument by-instrument basis) to designate them as at FVTOCI.

  Financial assets at FVTPL – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of loss and comprehensive loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges. As of December 31, 2021 and 2020, the Company has classified its cash as FVTPL.

  Financial assets at FVTOCI – Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. As of December 31, 2021 and 2020, the Company has no financial assets classified as FVOCI.

  Financial assets at amortized cost – Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date. As of December 31, 2021 and 2020, the Company has classified its amounts receivable as amortized cost.

3. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Significant accounting policies (continued)

Financial instruments (continued)

- **Financial assets (continued)**

  Impairment of financial assets at amortized cost
  The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

  Derecognition of financial assets
  Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the profit and loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

- **Financial liabilities**

  Classification and measurement
  The Company classifies its financial liabilities into one of two categories as follows:

  Fair value through profit or loss (FVTPL) – This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

  Financial liabilities at amortized cost – This category consists of liabilities carried at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. As at December 31, 2021 and 2020, the Company has classified its accounts payable and accrued liabilities and note payables as other financial liabilities.

  Derecognition of financial liabilities
  A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit and loss.

  Refer to Note 17 for further disclosures.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Significant accounting policies (continued)

Taxation
Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Loss per share
Basic loss per share is calculated by dividing the net loss for the year divided by the weighted average number of common shares outstanding during the year. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive.

Inventories
Inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average cost basis. Cost comprises of direct materials and delivery costs, direct labor, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realizable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Research and development costs
Research expenditures are expensed when incurred. Development costs are capitalized in the event they meet capitalization criteria; otherwise, they are expensed as incurred. To date, no development costs have been capitalized.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Significant accounting policies (continued)

Share capital

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from share capital as share issuance costs. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued. Common shares issued for non-monetary consideration are recorded at their fair value on the date of issuance and classified as shareholders' equity.

Share-based payments

Equity-settled share-based payment transactions with employees and others providing similar services are recorded based on the estimated fair value of the equity instrument granted at the grant date.

Equity-settled share-based payment transactions with parties other than employees and those providing similar services are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments issued or granted, measured at the date the Company obtains the goods or the counterparty renders the service.

Revenue recognition

Revenue related to the sales or lease of products is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Product warranty

A liability for estimated warranty expense is established by a charge against cost of goods sold at the time revenue is recognized as products are sold. The subsequent costs incurred for warranty claims serve to reduce the product warranty liability. The actual warranty costs the Company will ultimately pay could differ materially from this estimate. As of December 31, 2021 and 2020, no provision of warranty liabilities was recognized.

Leases

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.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Significant accounting policies (continued)

Leases (continued)

Upon lease commencement, a lessor shall recognize assets held under a finance lease as a receivable at an amount equal to the net investment in the lease.

A lessor recognizes finance income over the lease term of a finance lease, based on a pattern reflecting a constant periodic rate of return on the net investment.

At the commencement date, a manufacturer or dealer lessor recognizes selling profit or loss in accordance with its policy for outright sales to which IFRS 15 applies.

A lessor recognizes operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

Right-of-use assets

A right-of-use asset is recognized at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Company has elected not to recognize a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognized at the commencement date of a lease. The lease liability is initially recognized at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortized cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index, or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Significant accounting policies (continued)

Intangible assets

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.

Intellectual Property (“IP”)

Significant costs associated with IP are deferred and amortized on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Equipment

Equipment and vehicles are initially recognized at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognized within provisions. All items of equipment and vehicles are subsequently carried at depreciated cost less impairment losses, if any.

Depreciation is provided on all items of equipment and vehicles to write off the carrying value of items over their expected useful economic lives. Depreciation is provided on a straight-line basis over the estimated useful lives of the equipment at the following:

- Computer Equipment – 3 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset as appropriate, only when it’s probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replacement part is derecognized. All other repairs and maintenance are charged to the consolidated statements of loss during the financial year in which they are incurred.

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's cash-generating unit's ("CGU") fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.
For evaluation and exploration assets, indicators of impairment include, but are not limited to, expiration of a right to explore, no budgeted or planned material expenditure in an area, or a decision to discontinue exploration in a specific area.

Impairment losses of continuing operations are recognized in net loss in those expense categories consistent with the function of the impaired asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years.

New accounting standards

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2022. The Company does not expect that any new or amended standards or interpretations that are effective for annual periods beginning on or after January 1, 2022 will have a significant impact on the Company's results of operations or financial position.

3. REVERSE ACQUISITION

As discussed in Note 1, on November 15, 2021, the Company closed the RTO with Vaxxinator.

The RTO was effected by way of a three-cornered amalgamation involving the Company and Atmofizer under the "BCBCA (the "Amalgamation"). Immediately prior to the Amalgamation, Atmofizer completed the Share 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 Vaxxinator (the "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 issued and outstanding as of November 15, 2021.

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 CSE.

The RTO is accounted for in accordance with guidance provided IFRS 2, "Share-Based Payment" and IFRS 3, "Business Combinations". As ATMO did not qualify as a business according to the definition in IFRS 3, this RTO does not constitute a business combination; rather it is treated as an issuance of shares by Vaxxinator for the net assets of ATMO and the ATMO's listing status.

The Company has accounted for this RTO as a reverse acquisition in accordance with IFRS 2, as upon the completion of the RTO, the shareholders of Vaxxinator acquired control of ATMO by virtue of senior management and the board directors of ATMO being drawn predominantly from Vaxxinator, whom will have the authority and responsibility for planning, directing, and controlling the activities of ATMO, also due to the holding of 97.74% of ATOM common shares.

As a share-based payment transaction, the Company measures the goods or services received at the more reliable measure of the fair value of the goods and services received, or the fair value of the equity instruments granted. Management has determined that the fair value of the equity instruments granted was the more reliable measure, which resulted in a total consideration of $6,783,217.

The fair value of the shares issued ($3,046,546) was determined based on the fair value of the number of shares that Vaxxinator would have had to issue to the shareholders of Atmofizer to give the shareholders of Atmofizer the same percentage equity interest in the combined entity that results from the reverse acquisition.

(Expressed in United States Dollars)

3. REVERSE ACQUISITION (CONTINUED)

	$
ASSETS	
Current assets	
Cash	10,475
Prepaid expenses	24,297
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	(51,875)
Notes payable	(296,070)
	(313,173)
Listing expense	**7,096,390**
Purchase price	**6,783,217**

	$
Consideration paid	
Fair value of shares issued (833,334 shares issued)	3,046,546
Replacement options issued to ATMO's option holders (83,333 options issued)	164,595
Fair value of finder's shares (833,333 shares issued)	3,046,542
Cash paid for transaction costs	525,534
	6,783,217

4. AMOUNTS RECEIVABLE

	December 31, 2021	**December 31, 2020**
	$	**$**
Trade receivable	350,000	-
Harmonized sales tax receivable and value-added tax receivable	121,195	19,522
Other receivables	17,000	-
	488,195	**19,522**

5. PREPAID EXPENSES

Prepaid expenses consist of amounts paid in advance for services which will be amortized over the term of the contract or expensed when the services are provided.

Prepaid expenses as of December 31, 2021 mainly consists of the following material payments made in advance:

- On October 26, 2021, the Company entered into a sponsorship agreement with an arm's length party, 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") (Note 11). These amounts were initially classified as prepaid expenses and will be expensed over two years. As of December 31, 2021, $3,000,000 remains in prepaid expenses as vendor deposits of which $1,500,000 was classified as long-term.

5. PREPAID EXPENSES (CONTINUED)

- 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 December 31, 2021, $200,000 remains in prepaid expenses as vendor deposits.

- The Company engaged Emerging Markets Consulting, LLC (“EMC”) to provide investor and public relations services including content creation, web development, and webcasting for the Company in North America. Pursuant to the terms and conditions of the agreement, EMC will provide these services for a period of two months for an aggregate cash fee of $300,000. Certain functions of EMC may include “investor relations activities” under the policies of the CSE and applicable securities laws. These amounts were initially classified as prepaid expenses and will be expensed when the services are provided. As of December 31, 2021, $150,000 remains in prepaid expenses as vendor deposits.

- During the year ended December 31, 2021, the Company made a deposit of $466,182 for various purchase orders (the “PO”) to the vendor for inventory.

- The Company engaged First Marketing GmbH (“First Marketing”), a leading investor relations and marketing firm based in Heidelberg, Germany, to provide the Company advertising, corporate communications and promotional services in Germany, Switzerland and Austria. Pursuant to the terms and conditions of the agreement, First Marketing will provide these services for a period of 12 months for a fee of €1,500,000. Such fee will be paid in two installments with €1,000,000 being paid upon signing and €500,000 to be paid in January 2022. The Company made an advanced payment of $1,129,910 (€1,000,000) and initially classified as prepaid expenses. The Company charged $282,477 as consulting fees during the year ended December 31, 2021. Subsequent to December 31, 2021, the Company decided to terminate the agreement with First Marketing; as a result, the Company recognized a write-off of advance payments for the remaining unamortized amount of $847,433 in the statement of loss and comprehensive loss during the year ended December 31, 2021.

(Expressed in United States Dollars)

6. INVENTORY

As of December 31, 2021, the Company has inventories of $667,689 (December 31, 2020 – $46,784) which are broken down as follows:

	December 31, 2021	December 31, 2020
	$	$
Raw materials	377,294	-
Finished goods	290,395	46,784
	667,689	**46,784**

Cost of goods sold is comprised of the cost of inventory sold and any adjustments to reduce the inventory to net realizable value. During the year ended December 31, 2021, the Company charged $414,081 as cost of goods sold (December 31, 2020 – $nil).

7. EQUIPMENT

	Computer equipment
	$
Cost	
As at December 31, 2020 and 2019	-
Additions	29,547
As at December 31, 2021	**29,547**
Depreciation	
As at December 31, 2020 and 2019	-
Charged for the year	(5,156)
As at December 31, 2021	**(5,156)**
Net book value	
As at December 31, 2020 and 2019	-
As at December 31, 2021	**24,391**

(Expressed in United States Dollars)

8. INTELLECTUAL PROPERTY

	$
As at December 31, 2020 and 2019	-
Additions	9,519,714
Amortization	(475,986)
As at December 31, 2021	**9,043,728**

2020 Intellectual Property Licensing Agreements
On September 16, 2020, the Company entered into two intellectual property agreements with two arm's length parties, 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 in 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).

2021 Intellectual Property Licensing Agreements (continued)
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 $273,714 during the year ended December 31, 2021. Pursuant to IAS 38 "Intangible Assets", the Company capitalized these fees as intellectual property and has amortized over the life of the intellectual property.

As of December 31, 2021, the remaining useful life of the intellectual property is 9.5 years.

(Expressed in United States Dollars)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	December 31, 2021	December 31, 2020
	$	$
Trade payables	1,438,949	148,060
Accrued liabilities	37,078	-
Other payables	7,315	4,750
	1,483,342	**152,810**

On January 27, 2022, the Company entered into a debt settlement agreement with one of the vendors to settle a payable of $596,730 by issuing 2,000,000 common shares for full and final settlement of the debt.

10. NOTES PAYABLE

In connection with the RTO (Note 3), the Company assumed five unsecured promissory notes with fair value of $296,070 (CA$370,842). The promissory notes bear interest at the annual rate of 4% and are repayable without penalty at any time prior to maturity. The notes were in default as of the date of the RTO.

On February 1, 2022, the Company entered into an amending and extension agreement with the promissory noteholders to extend the maturity date to January 31, 2023.

From the date of the RTO to December 31, 2021, the Company recognized interest expenses of $1,456 (CA$1,838).

As of December 31, 2021, the balance of the note payables was $293,511 (CA$372,680) (December 31, 2020 – $nil).

11. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At December 31, 2021, the Company had 73,930,270 (December 31, 2020 – 46,630,004) common shares issued and outstanding with a value of $32,012,790 (December 31, 2020 – $2,704,431).

During the year ended December 31, 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 at a fair value of $0.50 per Common Share upon execution of the IP License Agreement (Note 8).

11. SHARE CAPITAL (CONTINUED)

Issued share capital (continued)

During the year ended December 31, 2021 (continued)

- 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.

- 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 (Note 5).

- As discussed in Note 3, the Company issued 833,334 common shares with fair value of $ $3,046,546 as part of the RTO.

- In connection with the RTO, the Company issued 833,333 common shares with fair value of $3,046,542 as the Amalgamation Finder’s Fee (Note 3).

- 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.

- 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.

- 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 year ended December 31, 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 during the year ended December 31, 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.

- The Company issued 73,333 Units at a price of $3.00 per Unit for gross proceeds of $220,000. 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.

- 50,000 warrants were exercised for proceeds of $175,000.

11. SHARE CAPITAL (CONTINUED)

Issued share capital (continued)

During the year ended December 31, 2021 (continued)

- In connection with private placements completed during the year ended December 31, 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.

During the year ended December 31, 2020

- On September 16, 2020, the Company entered into two intellectual property agreements (each an "IP Agreement" and together, the "IP Agreements") to acquire the intellectual property for certain surface coating and air purification technologies. The consideration paid under each IP Agreement was $75,000. The total amount of $150,000 was satisfied by issuing 7,500,000 common shares of the Company to the IP transferor.

  Pursuant to IAS 38 “Intangible Assets”, the two IPs 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.

- On October 26, 2020, the Company completed a private placement and issued 12,750,000 common shares at a price of $0.02 per share for gross proceeds of $255,000.

- On December 15, 2020, the Company completed a private placement and issued 3,570,000 common shares at a price of $0.50 per share for gross proceeds of $1,785,000.

- The Company issued 13,022,000 common shares with fair value of $367,000 to various consultants for the consulting services provided during the year ended December 31, 2020.

- The Company issued 8,450,000 common shares with fair value of $169,000 to one of the Company directors for the consulting services provided during the year ended December 31, 2020.

- The Company issued 1,250,000 common shares with fair value of $25,000 to the Company’s Chief Executive Officer for the management services provided during the year ended December 31, 2020.

- The Company issued 88,000 common shares with fair value of $44,000 to various vendors to settle the outstanding payables.

Subsequent December 31, 2021

- The Company established an at-the-market equity program (the “ATM Program”) that allows the Company to issue and sell up to $5,000,000 of common shares in the authorized share structure of the Company from treasury to the public, from time to time, at the Company’s discretion.

  The Company has issued 14,055,500 common shares with gross proceeds of $1,307,608 under the ATM Program as of the date of this MD&A.

- The Company issued 4,500,000 common shares to Steinbrenner Racing the Amended Sponsorship Agreement.

(Expressed in United States Dollars)

11. SHARE CAPITAL (CONTINUED)

Issued share capital (continued)

Subsequent December 31, 2021 (continued)

- The Company entered into two debt settlement agreements with two arm's length business development and media consultants of the Company to satisfy the debt with an amount of $396,730 and $225,000 by issuing 2,000,000 and 2,500,000 common shares, respectively.

- 287,500 shares were issued for the vested RSUs.

Warrants

The changes in warrants during December 31, 2021 and 2020, are as follows:

	December 31, 2021		December 31, 2020	
	Number outstanding	Weighted average exercise price ($)	Number outstanding	Weighted average exercise price ($)
Balance, beginning of year	-	-	-	-
Issued	2,534,126	3.50		
Exercised	(50,000)	3.50	-	-
Balance, end of year	**2,484,126**	**3.50**	-	-

During the year ended December 31, 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 purchase 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 charged as consulting fees during the year ended December 31, 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 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 0.39%, an expected life of 2 years, an expected volatility of 100% and an expected dividend yield of 0%, which totaled $485,243, and charged as consulting fees during the year ended December 31, 2021.

(Expressed in United States Dollars)

11. SHARE CAPITAL (CONTINUED)

Warrants (continued)

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	429,564	-	1.38
May 27, 2023	3.50	387,499	-	1.40
June 7, 2023	3.50	122,066	-	1.43
June 28, 2023	3.50	249,999	-	1.49
July 7, 2023	3.50	674,999	-	1.52
July 9, 2023	3.50	250,000	364,222	1.52
July 19, 2023	3.50	333,333	485,243	1.55
October 20, 2023	3.50	36,666	-	1.80
		2,484,126	**849,465**	**1.48**

Equity Incentive Plan (the "Incentive Plan")

To provide a share-related mechanism to attract, retain and motivate qualified directors, employees and consultants of the Company and its subsidiaries, the Company implemented an Incentive Plan which includes the stock options and Restricted Share Unit ("RSU"). The Incentive Plan is administered by the Board of Directors, which sets the terms of incentive awards under the Incentive Plan. The maximum number of common shares available for issue under the Incentive Plan is 10% of the aggregate number of issued and outstanding common shares, less the number of common shares issuable pursuant to options or RSUs. Under the Incentive Plan, an option's maximum term is ten years from the grant date and the Board has the option of determining vesting periods for the options and RSU. For RSU, upon vesting, the Company will settle the RSU by issuing common shares of the Company.

The Incentive Plan was approved on September 21, 2021.

- **Stock options**

  The changes in options during the years ended December 31, 2021 and 2020 are as follows:

	December 31, 2021		December 31, 2020	
	Number outstanding	Weighted average exercise price ($)	Number outstanding	Weighted average exercise price ($)
Balance, beginning of year	-	-		
Granted	1,883,333	0.62		
Balance, end of year	**1,883,333**	**0.62**	-	-

(Expressed in United States Dollars)

11. SHARE CAPITAL (CONTINUED)

Equity Incentive Plan (the "Incentive Plan") (continued)

- **Stock options (continued)**

During the year ended December 31, 2021

- 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. 450,000 options vests on date of grant, 900,000 options will vest on May 19, 2022 and 450,000 will vest on November 19, 2022.

- In connection with the RTO, the Company issued 83,333 options to replace the outstanding options previously issued by CHCI. The options vested immediately at the closing date of the RTO. Each option entitles the holder to purchase one common share of the Company at an exercise price of $3.21 at any time prior to October 22, 2025.

There were no options granted, exercised or expired during the year ended December 31, 2020.

Subsequent to December 31, 2021

- The Company granted 1,000,000 options with an exercise price $0.25 to its consultant. The options are exercisable until March 15, 2027. One-third vest will vest every six months thereafter.

The estimated grant date fair value of the options granted during the year ended December 31, 2021 and 2020 calculated using the Black-Scholes option pricing model with the following assumptions:

	For the year ended	
	December 31, 2021	**December 31, 2020**
Number of options granted	1,883,333	-
Risk-free interest rate	0.32%	-
Expected annual volatility	99%	-
Expected life (in years)	3.04	-
Expected dividend yield	0%	-
Grant date fair value per option ($)	0.38	-
Share price at grant date ($)	0.64	-

During the year ended December 31, 2021, the Company recognized share-based payments arising from the stock options of $383,142 (December 31, 2020 – $nil) of which $218,547 was recognized as share-based payments on the statements of loss and comprehensive loss and $164,595 was recognized as part of the RTO (Note 3).

(Expressed in United States Dollars)

11. SHARE CAPITAL (CONTINUED)

Equity Incentive Plan (the "Incentive Plan") (continued)

- **Stock options (continued)**

The following summarizes information about stock options outstanding and exercisable at December 31, 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	4.29
October 22, 2025	3.21	83,333	83,333	164,595	3.81
		1,883,333	**533,333**	**718,173**	**4.27**
Weighted average exercise price ($)		**0.62**	**0.50**		

- **RSU**

During the year ended December 31, 2021

- On November 19, 2021, the Company issued 1,000,000 RSUs with fair value of $4,040,087 to its consultant. One-half vest will vest every six months thereafter.

- On November 19, 2021, the Company issued 960,000 RSUs with fair value of $3,878,484 to its directors, employees and consultants. One-sixth vest will vest every six months thereafter.

- On November 19, 2021, the Company issued 1,1750,000 RSUs with fair value of $4,747,102 to its directors, employees and consultants. One-fourth vest on date of grant and one-fourth vest will vest every three months thereafter.

Subsequent to December 31, 2021

- The Company issued 750,000 RSUs to its directors, employees and consultants. One-third vest on date of the first anniversary and one-third vest will vest every six months thereafter.

During the year ended December 31, 2021, the Company recognized share-based payments expense arising from the RSUs of $4,061,561 (December 31, 2020 – $nil).

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 years ended December 31, 2021 and 2020:

	$
Balance as of December 31, 2020 and 2019	-
Share of income	6,781
Balance as of December 31, 2021	**6,781**

(Expressed in United States Dollars)

12. 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 during the year ended December 31, 2021. 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.

As a result of the Leases, the Company recognized lease revenue of $53,000 and cost of goods sold related to the leased inventory of $32,512, which resulted a gross margin of $20,488. In addition, the Company recognized finance income on the Leases of $2,971 during the year ended December 31, 2021.

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 recognized an impairment of lease receivable of $4,756 during the year ended December 31, 2021.

13. SUPPLEMENTAL CASH FLOW

		For the year ended	
	Note(s)	December 31, 2021 $	December 31, 2020 $
SUPPLEMENTAL CASH FLOW			
Shares issued for debt settlement		50,000	44,000
Shares issued for intellectual property	8	3,800,000	-
Shares issued for services included in prepaid expenses		3,000,000	-
Fair value of shares issued for reverse takeover	3	6,093,088	-
Fair value of stock options issued for reverse takeover	3	164,595	-
Cash paid during the year for interest		-	-
Cash paid during the year for income taxes		-	-

14. 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. Key management personnel receive remuneration from the Company summarized as follows:

During the year ended December 31, 2021

- The short-term benefits incurred for the key management personnel were $1,137,828 of which $750,000 was settled by issuing the common shares of the Company. As discussed in Note 5, during the year ended December 31, 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.

- The Company granted 1,800,000 options with an exercise price of $0.50 to the CEO and recognized share-based payments of $218,547.

- The Company granted 960,000 RSUs to the Company's directors and recognized share-based payments of $365,832.

During the year ended December 31, 2020

- The short-term benefits incurred for the key management personnel were $47,500 of which $25,000 was paid by issuing 1,250,000 common shares to the Company's Chief Executive Officer for the management services provided during the year ended December 31, 2020.

- The Company issued 8,450,000 common shares with fair value of $169,000 to one of the Company directors for the consulting services provided during the year ended December 31, 2020.

In addition, the Company incurred $376,730 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.

The balances due to the Company's directors and officer were $4,797 as at December 31, 2021 (December 31, 2020 – $nil) which were paid subsequent to December 31, 2021.

Unless otherwise noted, all related party balances are unsecured, non-interest bearing with no fixed terms of repayment.

15. SEGMENTED INFORMATION

During the years ended December 31, 2021 and 2020, the Company was operating only in the air-purification segment.

During the years ended December 31, 2021 and 2020, all revenue was generated from United States. As of December 31, 2021 and 2020, all the non-current assets of the Company were held in United States.

16. 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 years ended December 31, 2021 and 2020.

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

17. FINANCIAL INSTRUMENTS

Fair value

The carrying values of cash, amounts receivable, accounts payable and accrued liabilities and notes payable approximate their fair values due to the relatively short period to maturity of those financial instruments.

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 December 31, 2021 and 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.

(Expressed in United States Dollars)

17. FINANCIAL INSTRUMENTS (CONTINUED)

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

	December 31, 2021 $	FVTPL $	Amortized costs $	FVTOCI $
Financial assets:				
ASSETS				
Cash	1,909,675	1,909,675	-	-
Amounts receivable	488,195	-	488,195	-
Financial liabilities:				
LIABILITIES				
Accounts payable and accrued liabilities	1,483,342	-	1,483,342	-
Notes payable	293,511	-	293,511	-

	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	-

Financial risk management

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 and amounts receivable. The Company's maximum exposure to credit risk is minimal as cash is deposited with reputable financial institutions.

For amounts receivable, except for the amount due from a government agency, 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 December 31, 2021, the Company had cash of $1,909,675 to meet short-term business requirements. As of December 31, 2021, the Company had accounts payable and accrued liabilities and notes payable of 1,483,342 and 293,511, respectively.

17. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

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 December 31, 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.

  The Company had the following balances in foreign currency as at December 31, 2021:

	US$	**CA$**	**EURO$**
Cash	1,805,325	132,496	-
Amounts receivable	367,000	153,885	-
Accounts payable and accrued liabilities	(834,480)	(803,876)	(13,890)
Notes payable	-	(372,680)	-
	1,337,845	**(890,175)**	**(13,890)**
Rate to convert to $1.00 USD	1.00000	0.78757	1.13420
Equivalent to USD	**1,337,845**	**(701,074)**	**(15,754)**

  Based on the above net exposures as at December 31, 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 $72,000.

(Expressed in United States Dollars)

18. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2021 $	2020 $
Loss for the year	**20,443,615**	**(1,168,090)**
Expected income tax (recovery)	5,520,000	(315,000)
Change in statutory, foreign tax, foreign exchange rates and other	210,000	-
Permanent differences	2,935,000	15,000
Share issue cost	(541,000)	(24,000)
Change in unrecognized deductible temporary differences	2,916,000	324,000
Total income tax expense (recovery)	**-**	**-**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	December 31, 2021 $	Expiry Range	December 31, 2020 $	Expiry Range
Temporary Differences				
Property and equipment	5,000	No expiry date	-	N/A
Intellectual property	626,000	No expiry dates	150,000	No expiry dates
Share issue costs	1,659,000	2042 to 2045	72,000	2041 to 2044
Non-capital losses available for future period	11,522,000	2039 to 2041	1,039,000	2039 to 2040

Tax attributes are subject to review and potential adjustment by tax authorities