

NOTICE TO READER

On May 30, 2022, Atmofizer Technologies Inc. (the “**Issuer**”) filed the condensed consolidated interim financial statements for the three months ended March 31, 2022 of the Issuer (the “**Interim Financial Statements**”) in accordance with section 4.4 of National Instrument 51-102 – *Continuous Disclosure Obligations*.

The Interim Financial Statements have been refiled to incorporate non-material changes following a review of the Interim Financial Statements performed by the Issuer’s auditors in accordance with applicable standards. The changes to the Interim Financial Statements are as follows:

- I. updated board of director approval from May 30, 2022 to June 6, 2022;
- II. removed the “Notice of No Auditor Review of Interim Financial Statements”;
- III. reclassified a portion of current prepaid assets (\$1,463,643) to non-current prepaid assets; and
- IV. Note 6 has been updated to correct December 31, 2021 balance.



ATMOFIZER TECHNOLOGIES INC.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022
(UNAUDITED)**

(Expressed in United States Dollars)

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Atmofizer Technologies Inc.

Condensed Consolidated Interim Statements of Financial Position (unaudited)

(Expressed in United States Dollars)

	As at	March 31,	December 31,
	Note(s)	2022	2021
		\$	\$
ASSETS			
Current assets			
Cash		1,321,777	1,909,675
Amounts receivable	3	392,884	488,195
Prepaid expenses	4	2,698,473	2,855,236
Inventory	5	569,548	667,689
		4,982,682	5,920,795
Non-current assets			
Prepaid expenses	4	1,463,643	1,500,000
Equipment		21,929	24,391
Intellectual property	6	8,868,879	9,043,728
		10,354,451	10,568,119
TOTAL ASSETS		15,337,133	16,488,914
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	1,150,334	1,483,342
Notes payable	8	300,923	293,511
TOTAL LIABILITIES		1,451,257	1,776,853
SHAREHOLDERS' EQUITY			
Share capital	9	34,718,779	32,012,790
Subscriptions received in advance	9	300	300
Stock options reserve	9	556,585	383,142
Warrants reserve	9	849,465	849,465
Restricted share unit reserve	9	6,815,063	4,061,561
Accumulated other comprehensive income (loss)		(571)	4,233
Deficit		(29,050,015)	(22,606,211)
		13,889,606	14,705,280
Non-controlling interest	9	(3,730)	6,781
TOTAL SHAREHOLDERS' EQUITY		13,885,876	14,712,061
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		15,337,133	16,488,914
Corporate information and continuance of operations	1		
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The unaudited condensed consolidated interim 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

See accompanying notes to these consolidated financial statements.

Atmofizer Technologies Inc.

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

		For the three months ended	
		March 31,	March 31,
		2022	2021
	Note(s)	\$	\$
Revenue		210,000	-
Cost of goods sold		(149,707)	-
Gross margin		60,293	-
Expenses			
Amortization	6	239,337	-
Consulting fees		661,324	1,473,672
Depreciation		2,462	-
Foreign exchange loss (gain)		5,438	7,943
General and administrative		94,100	48,865
Management fees		-	255,000
Professional fees		254,438	99,560
Regulatory and transfer agents		53,755	-
Research and development		151,003	220,112
Salaries and wages		352,995	-
Sales and marketing		98,188	211,118
Share-based payments	4, 9, 10	4,576,349	-
Travel		21,421	9,998
		(6,510,810)	(2,326,268)
Other expenses			
Finance costs		(3,798)	-
Loss for the period		(6,454,315)	(2,326,268)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		(4,804)	-
Total loss and comprehensive loss		(6,459,119)	(2,326,268)
Loss and comprehensive loss attributable to:			
Shareholders of Atmofizer Technologies Inc.		(6,448,608)	(2,326,268)
Non-controlling interests	9	(10,511)	-
		(6,459,119)	(2,326,268)
Basic and diluted loss per share for the period presented (\$ per common share)		(0.08)	(0.04)
Weighted average number of common shares outstanding		79,402,895	51,861,893
- basic and diluted			

See accompanying notes to these consolidated financial statements.

Atmofizer Technologies Inc.

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

	Note(s)	Share capital		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
		Number of shares #	Amount \$								\$	\$	\$
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
Shares issued for cash (net of share issue costs)	9	4,259,500	244,688	-	-	-	-	-	-	-	244,688	-	244,688
Shared issued for restricted shares units	9	287,500	1,161,523	-	-	-	-	(1,161,523)	-	-	-	-	-
Shares issued for settlement of accounts payable	7, 9	2,000,000	396,730	-	-	-	-	-	-	-	396,730	-	396,730
Shares issued for services initially recognized as prepaid expenses	4, 9	4,500,000	903,048	-	-	-	-	-	-	-	903,048	-	903,048
Share-based payments	9, 10	-	-	-	-	173,443	-	3,915,025	-	-	4,088,468	-	4,088,468
Other comprehensive income		-	-	-	-	-	-	-	-	(4,804)	(4,804)	-	(4,804)
Loss for the period		-	-	-	-	-	-	-	(6,443,804)	-	(6,443,804)	(10,511)	(6,454,315)
Balance at March 31, 2022		84,977,270	34,718,779	300	-	556,585	849,465	6,815,063	(29,050,015)	(571)	13,889,606	(3,730)	13,885,876
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)	9	8,512,000	2,450,750	(645,000)	-	-	-	-	-	-	1,805,750	-	1,805,750
Shares issued for settlement of accounts payable	9	100,000	50,000	-	(50,000)	-	-	-	-	-	-	-	-
Shares issued for services received	9	2,720,000	1,360,000	-	-	-	-	-	-	-	1,360,000	-	1,360,000
Shares issued for services included in prepaid expenses	9	1,750,000	875,000	-	-	-	-	-	-	-	875,000	-	875,000
Loss for the period		-	-	-	-	-	-	-	(2,326,268)	-	(2,326,268)	-	(2,326,268)
Balance at March 31, 2021		59,712,004	7,440,181	-	-	-	-	-	(3,497,273)	-	3,942,908	-	3,942,908

See accompanying notes to these consolidated financial statements.

Atmofizer Technologies Inc.

Condensed Consolidated Interim Statements of Cash Flows (unaudited)

(Expressed in United States Dollars)

		For the three months ended	
		March 31, 2022	March 31, 2021
	Note(s)	\$	\$
OPERATING ACTIVITIES			
Net loss		(6,454,315)	(2,326,268)
Adjustments for items not affecting cash:			
Amortization	6	239,337	-
Depreciation		2,462	-
Share-based payments	4, 9, 10	4,576,349	-
Management and consulting fees paid by common shares		-	1,578,750
Interest on note payable		2,858	-
Change in non-cash working capital			
Amounts receivable		95,311	(13,752)
Prepaid expenses		608,555	(1,111,716)
Inventory		98,141	(331,644)
Accounts payable and accrued liabilities		63,043	8,579
Cash flow used in operating activities		(768,259)	(2,196,051)
INVESTING ACTIVITIES			
Purchase of intellectual property	6	(64,488)	-
Cash flow used in investing activities		(64,488)	-
FINANCING ACTIVITIES			
Proceeds from share issuance, net of share issue costs		244,688	1,805,750
Cash flow from financing activities		244,688	1,805,750
Effects of exchange rate changes on cash		161	-
Decrease in cash		(587,898)	(390,301)
Cash, beginning of period		1,909,675	1,415,494
Cash, end of period		1,321,777	1,025,193
SUPPLEMENTAL CASH FLOW			
Shares issued for debt settlement		396,730	50,000
Shares issued for intellectual property		-	-
Shares issued for services included in prepaid expenses		903,048	1,375,000
Cash paid during the period for interest		-	-
Cash paid during the period for income taxes		-	-

See accompanying notes to these consolidated financial statements.

Atmofizer Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Three Months Ended March 31, 2022

(Expressed in United States Dollars)

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").

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 unaudited condensed interim 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.

Atmofizer Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Three Months Ended March 31, 2022

(Expressed in United States Dollars)

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

The unaudited condensed consolidated interim financial statements of the Company for the three months ended March 31, 2022 were approved by the Board of Directors on June 6, 2022.

Basis of preparation

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries. This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2021.

New accounting standards

There were no new or amended IFRS pronouncements effective January 1, 2022 that impacted these condensed consolidated interim financial statements.

3. AMOUNTS RECEIVABLE

	March 31, 2022	December 31, 2021
	\$	\$
Trade receivable	210,000	350,000
Harmonized sales tax receivable and value-added tax receivable	165,884	121,195
Other receivables	17,000	17,000
	392,884	488,195

Atmofizer Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Three Months Ended March 31, 2022

(Expressed in United States Dollars)

4. PREPAID EXPENSES

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

The Company's prepaid expenses are broken down as follows:

	March 31, 2022	December 31, 2021
	\$	\$
Sponsorship ⁽¹⁾	3,415,167	3,000,000
Vendor deposits ⁽²⁾	421,719	466,182
Sales and marketing	-	350,000
Others	325,230	539,054
	4,162,116	4,355,236
Current	2,698,473	2,855,236
Long-term	1,463,643	1,500,000
	4,162,116	4,355,236

- 1) On October 26, 2021, the Company entered into a sponsorship agreement (the "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"). These amounts were initially classified as prepaid expenses and will be expensed over two years. During the three months ended March 31, 2022, \$375,000 was charged to Share-based payments in the statement of loss and comprehensive loss (March 31, 2021 – \$nil). As of March 31, 2022, \$2,625,000 remains in prepaid expenses as vendor deposits (December 31, 2021 – \$nil) of which \$1,125,000 was classified as long-term (December 31, 2021 – \$1,500,000).

On January 25, 2022, the Company and Steinbrenner Racing amended the terms of the Sponsorship Agreement to provide for additional sponsorship rights including Atmofizer becoming the official supplier sponsor of a Steinbrenner Racing team car for the "24 Hours of Daytona" race to be held in each of fiscal year of 2022 and 2023. In addition, Steinbrenner Racing will facilitate commercial introductions to stadium and arena owners and operators and aid with product testing and development. In consideration for these amendments, the Company issued 4,500,000 common shares with fair value of \$903,048 to Steinbrenner Racing. During the three months ended March 31, 2022, \$112,881 was charged to Share-based payments in the statement of loss and comprehensive loss (March 31, 2021 – \$nil). As of March 31, 2022, \$790,167 remains in prepaid expenses as vendor deposits (December 31, 2021 – \$nil) of which \$338,643 was classified as long-term (December 31, 2021 – \$1,500,000).

- 2) As of March 31, 2022, deposit of \$421,719 was made for various purchase orders (the "PO") to the vendor for inventory (December 31, 2021 – \$466,182).

5. INVENTORY

As of March 31, 2022, the Company has inventories of \$569,548 (December 31, 2021 – \$667,689) which are broken down as follows:

	March 31, 2022	December 31, 2021
	\$	\$
Raw materials	367,068	377,294
Finished goods	202,480	290,395
	569,548	667,689

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 three months ended March 31, 2022, the Company charged \$149,707 as cost of goods sold (March 31, 2021 – \$nil).

Atmofizer Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Three Months Ended March 31, 2022

(Expressed in United States Dollars)

6. INTELLECTUAL PROPERTY

	\$
As at December 31, 2021	9,043,728
Additions	64,488
Amortization	(239,337)
As at March 31, 2022	8,868,879

During the three months ended March 31, 2022, the Company incurred professional fees of \$64,488 which were capitalized as intellectual property pursuant to IAS 38 "Intangible Assets".

As of March 31, 2022, the remaining useful life of the intellectual property is 9.25 years December 31, 2021 – 9.5 years).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	March 31, 2022	December 31, 2021
	\$	\$
Trade payables	798,873	1,438,949
Accrued liabilities	346,711	37,078
Other payables	4,750	7,315
	1,150,334	1,483,342

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 paying cash of \$200,000 and issuing 2,000,000 common shares for full and final settlement of the debt.

8. NOTES PAYABLE

In connection with the RTO (Note 1), 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.

During the three months ended March 31, 2022, the Company recognized interest expenses of \$2,858 (CA\$3,621).

As of March 31, 2022, the balance of the note payables was \$300,923 (CA\$376,301) (December 31, 2021 – \$293,511 (CA\$372,680)).

Atmofizer Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Three Months Ended March 31, 2022

(Expressed in United States Dollars)

9. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At March 31, 2022, the Company had 84,977,270 (December 31, 2021 – 73,930,270) common shares issued and outstanding with a value of \$34,718,779 (December 31, 2021 – \$32,012,790).

During the three months ended March 31, 2022

- As discussed in Note 4, the Company issued 4,500,000 common shares with fair value of \$903,048 to Steinbrenner Racing.
- As discussed in Note 7, the Company entered into a debt settlement agreement with one of the vendors to satisfy the debt with an amount of \$396,730 by issuing 2,000,000 common shares.
- 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 incurred \$170,000 setup fee for the ATM program which was recognized as share issuance costs during the three months ended March 31, 2022.

During the three months ended March 31, 2022, the Company sold 4,434,500 common shares, of which 175,000 common shares were issued subsequent to March 31, 2022, under the ATM Program.

The gross proceeds of the 4,259,500 common shares issued during the three months ended March 31, 2022, were \$425,322 (CA\$540,128). In connection with the share issuance of 4,259,500 common shares, the Company paid a commission of \$10,634 (CA\$13,503).

The average gross and net share price of the 4,259,500 common shares issued under the ATM Program was \$0.100 (CA\$0.127) and \$0.097 (CA\$0.124), respectively.

- The Company issued 287,500 common shares with fair value of \$1,161,523 for the restricted share unit.

During the three months ended March 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.
- The Company issued 1,500,000 common shares with fair value of \$750,000 to the Company’s Chief Financial Officer for the management services to be provided during the year ended December 31, 2021 (Note 3).
- The Company issued 250,000 common shares with fair value of \$125,000 to the Company’s advisor for the sales advisory services to be provided during the year ended December 31, 2021 (Note 3).
- 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 three months ended March 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 three months ended March 31, 2021.

Atmofizer Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Three Months Ended March 31, 2022

(Expressed in United States Dollars)

9. SHARE CAPITAL (CONTINUED)**Issued share capital (continued)****During the three months ended March 31, 2021 (continued)**

- 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.
- In connection with a private placement completed during the three months ended March 31, 2021, the Company incurred share issue costs of \$1,805,250 of which \$1,786,000 was satisfied by issuing 3,572,000 common shares of the Company.

Subsequent March 31, 2022

- The Company entered into a debt settlement agreement with an arm's length business development and media consultants of the Company to satisfy the debt with an amount of \$225,000 by issuing 2,500,000 common shares.
- Under the ATM Program:
 - The Company issued 175,000 common shares which were sold during the three months ended March 31, 2022 and received gross proceeds of CA\$15,750.
 - The Company sold and issued 15,295,000 common shares with gross proceeds of CA\$995,365.
 - The commission paid for the 15,470,000 common shares issued was \$25,278.
 - The net proceeds received by the Company for the 15,470,000 common shares issued.
 - The average gross and net share price of the 15,470,000 common shares issued under the ATM Program was CA\$0.065 and CA\$0.064, respectively.
- 1,023,750 shares were issued for the vested RSUs.

Atmofizer Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Three Months Ended March 31, 2022

(Expressed in United States Dollars)

9. SHARE CAPITAL (CONTINUED)**Warrants**

During the three months ended March 31, 2022 and 2021, no warrants were issued, exercised or expired.

The following summarizes information about warrants outstanding and exercisable at March 31, 2022:

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	-	1.13
May 27, 2023	3.50	387,499	-	1.16
June 7, 2023	3.50	122,066	-	1.19
June 28, 2023	3.50	249,999	-	1.24
July 7, 2023	3.50	674,999	-	1.27
July 9, 2023	3.50	250,000	364,222	1.27
July 19, 2023	3.50	333,333	485,243	1.30
October 20, 2023	3.50	36,666	-	1.56
		2,484,126	849,465	1.23

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 stock options during the three months ended March 31, 2022, are as follows:

	Number outstanding	Weighted average exercise price (\$)
Balance, beginning of period	1,883,333	0.62
Granted	1,000,000	0.25
Balance, end of period	2,883,333	0.49

During the three months ended March 31, 2022, the Company granted 1,000,000 options with an exercise price \$0.25 to its Chief Commercial Officer and President. The options are exercisable until March 15, 2027. One-third vest will vest every six months thereafter.

During the three months ended March 31, 2021, no options were granted, exercised or expired.

Atmofizer Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Three Months Ended March 31, 2022

(Expressed in United States Dollars)

9. SHARE CAPITAL (CONTINUED)**Equity Incentive Plan (the “Incentive Plan”) (continued)**• **Stock options (continued)**

The estimated grant date fair value of the options granted during the three months ended March 31, 2022 calculated using the Black-Scholes option pricing model with the following assumptions:

Number of options granted	1,000,000
Risk-free interest rate	1.94%
Expected annual volatility	N/A
Expected life (in years)	5.00
Expected dividend yield	0%
Grant date fair value per option (\$)	0.03
Share price at grant date (\$)	0.09

During the three months ended March 31, 2022, the Company recognized share-based payments arising from the stock options of \$173,443 (March 31, 2021 – \$nil).

The following summarizes information about stock options outstanding and exercisable at March 31, 2022:

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	4.04
October 22, 2025	3.21	83,333	83,333	164,595	3.56
March 15, 2027	0.25	1,000,000	-	31,734	4.96
		2,883,333	533,333	749,907	4.35
Weighted average exercise price (\$)		0.49	0.50		

• **RSU**

During the three months ended March 31, 2022, the Company issued 750,000 RSUs with fair value of \$70,241 to its Chief Commercial Officer and President. One-third vest on date of the first anniversary and one-third vest will vest every six months thereafter.

During the three months ended March 31, 2021, no RSUs were granted.

During the three months ended March 31, 2022, the Company recognized share-based payments expense arising from the RSUs of \$3,915,025 (March 31, 2021 – \$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 three months ended March 31, 2022:

	\$
Balance as of December 31, 2021	6,781
Share of income	(10,511)
Balance as of March 31, 2022	(3,730)

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For the Three Months Ended March 31, 2022

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10. SHARE-BASED PAYMENTS

The following is a breakdown of the share-based payments recognized during the three months ended March 31, 2022 and 2021

	Note(s)	For the three months ended	
		March 31, 2022	March 31, 2021
		\$	\$
Shares-based payments related to options granted	9	173,443	-
Shares-based payments related to RSUs granted	9	3,915,025	-
Shares issued for services	4	487,881	-
		4,576,349	-

11. RELATED PARTY TRANSACTIONS AND BALANCES

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

During three months ended March 31, 2022

- The short-term benefits incurred for the key management personnel were \$267,794.
- The Company granted 1,000,000 options with an exercise price \$0.25 and 750,000 RSUs to its Chief Commercial Officer and President (Note 9).
- In addition, the Company incurred \$49,170 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.

During three months ended March 31, 2021

- The short-term benefits incurred for the key management personnel were \$67,500.
- The Company issued 1,500,000 common shares with fair value of \$750,000 to the Company's Chief Financial Officer for the management services to be provided during the year ended December 31, 2021. During the three months ended March 31, 2021, \$187,500 was charged to the statement of loss and comprehensive loss as management fees.

The balances due to the Company's directors and officer were nil as at March 31, 2022 (December 31, 2021 – \$4,797) which were paid subsequent to March 31, 2022.

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

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12. SEGMENTED INFORMATION

During the three months ended March 31, 2022, the Company was operating only in the air-purification segment.

During the three months ended March 31, 2022, all revenue was generated from United States. As of March 31, 2022 and December 31, 2021, all the non-current assets of the Company were held in United States.

13. CAPITAL MANAGEMENT

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

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the three months ended March 31, 2022.

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

14. 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 March 31, 2022 and December 31, 2021, 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.

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14. FINANCIAL INSTRUMENTS (CONTINUED)**Fair value (continued)**

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

	March 31, 2022	FVTPL	Amortized costs	FVTOCI
	\$	\$	\$	\$
Financial assets:				
ASSETS				
Cash	1,321,777	1,321,777	-	-
Amounts receivable	392,884	-	392,884	-
Financial liabilities:				
LIABILITIES				
Accounts payable and accrued liabilities	1,150,334	-	1,150,334	-
Notes payable	300,923	-	300,923	-

	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	-

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 March 31, 2022, the Company had cash of \$1,321,777 to meet short-term business requirements. As of March 31, 2022, the Company had accounts payable and accrued liabilities and notes payable of \$1,150,334 and \$300,923, respectively.

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14. 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 March 31, 2022 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 March 31, 2022:

	US\$	CA\$
Cash	872,434	561,900
Amounts receivable	227,000	207,437
Accounts payable and accrued liabilities	(374,747)	(969,868)
Notes payable	-	(376,301)
	724,687	(576,832)
Rate to convert to \$1.00 USD	1.00000	0.79968
Equivalent to USD	724,687	(461,284)

Based on the above net exposures as at March 31, 2022, 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 \$50,000.