



ATMOFIZER TECHNOLOGIES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

(UNAUDITED)

(Expressed in United States Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

The accompanying unaudited interim financial statements of Atmofizer Technologies Inc. for the nine months ended September 30, 2023 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

Table of Contents

| | |
|--|----------|
| Condensed Consolidated Interim Statements of Financial Position (unaudited) | 4 |
| Condensed Consolidated Interim Statements of Loss and Comprehensive Loss (unaudited) | 5 |
| Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency) (unaudited) | 6 |
| Condensed Consolidated Interim Statements of Cash Flows (unaudited) | 7 |
| Notes to the Condensed Consolidated Interim Financial Statements (unaudited) | 8 |
| 1. Corporate information and continuance of operations | 8 |
| 2. Significant accounting standards and basis of preparation..... | 9 |
| 3. Accounts receivable..... | 9 |
| 4. Equipment | 9 |
| 5. Accounts payable and accrued liabilities..... | 10 |
| 6. Notes payable..... | 10 |
| 7. Share capital | 11 |
| 8. Related party transactions and balances..... | 14 |
| 9. Segmented information..... | 15 |
| 10. Capital management | 16 |
| 11. Financial instruments | 16 |

Atmfizer Technologies Inc.

Condensed Consolidated Interim Statements of Financial Position (unaudited)

(Expressed in United States Dollars)

| | As at | September 30, | December 31, |
|--|---------|--------------------|------------------|
| | Note(s) | 2023 | 2022 |
| | | \$ | \$ |
| ASSETS | | | |
| Current assets | | | |
| Cash | | 130,596 | 400,977 |
| Accounts receivable | 3 | 376,972 | 405,930 |
| Prepaid expenses | | 38,457 | 10,446 |
| Inventory | | 7,456 | 7,456 |
| | | 553,481 | 824,809 |
| Non-current assets | | | |
| Equipment | 4 | 7,130 | 14,527 |
| TOTAL ASSETS | | 560,611 | 839,336 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 5, 8 | 1,591,668 | 1,242,453 |
| Notes payable | 6 | 291,220 | 286,169 |
| TOTAL LIABILITIES | | 1,882,888 | 1,528,622 |
| SHAREHOLDERS' EQUITY (DEFICIENCY) | | | |
| Share capital | 7 | 44,667,313 | 44,415,306 |
| Warrants reserve | 7 | 849,465 | 849,465 |
| Stock options reserve | 7 | 7,780 | 4,474 |
| Restricted share unit reserve | 7 | 91,655 | 73,019 |
| Additional paid-in capital | | 4,789,996 | 4,789,996 |
| Accumulated deficit | | (51,740,134) | (50,841,125) |
| Accumulated other comprehensive income | | 24,304 | 23,517 |
| Equity attributable to owners of the Company | | (1,309,621) | (685,348) |
| Non-controlling interest | | (12,656) | (3,938) |
| TOTAL SHAREHOLDERS' EQUITY | | (1,322,277) | (689,286) |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY) | | 560,611 | 839,336 |
| | | | |
| Corporate information and continuance of operations | 1 | | |
| Segmented information | 9 | | |
| Subsequent events | 7 | | |

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

Atmofizer Technologies Inc.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss (unaudited)

(Expressed in United States Dollars)

| | Note(s) | For the three months ended | | For the nine months ended | |
|--|---------|----------------------------|--------------------|---------------------------|---------------------|
| | | September 30, | September 30, | September 30, | September 30, |
| | | 2023 | 2022 | 2023 | 2022 |
| | | \$ | \$ | \$ | \$ |
| Revenue | | 20,110 | - | 72,751 | 210,000 |
| Cost of goods sold | | (3,353) | - | (9,915) | (149,707) |
| Gross profit | | 16,757 | - | 62,836 | 60,293 |
| Expenses | | | | | |
| Amortization | | - | 239,605 | - | 718,547 |
| Consulting fees | | 11,956 | 518,922 | 54,791 | 1,423,361 |
| Depreciation | 4 | 2,466 | 2,463 | 7,398 | 7,387 |
| Foreign exchange loss (gain) | | 1,393 | (18,733) | (38,471) | (10,098) |
| General and administrative expenses | | 38,984 | 65,289 | 125,949 | 240,434 |
| Impairment of accounts receivable | | - | 84,000 | 20,333 | 210,000 |
| Impairment of inventory | | - | 336,015 | - | 712,245 |
| Marketing expenses | | 7,811 | 117,388 | 26,556 | 1,588,366 |
| Professional fees | | 57,715 | 142,867 | 161,045 | 481,804 |
| Research and development | | 5,876 | 45,891 | 12,865 | 269,455 |
| Salaries and wages | 8 | 132,247 | 288,042 | 456,211 | 974,788 |
| Share-based payments | | 11,785 | 2,644,540 | 70,444 | 9,274,682 |
| Transfer agent, regulatory and filing fees | | 2,232 | 10,559 | 35,237 | 107,941 |
| Travel | | 285 | 47,102 | 28,719 | 83,916 |
| Total expenses | | (272,750) | (4,523,950) | (961,077) | (16,082,828) |
| Other expenses | | | | | |
| Finance costs | 6 | (3,182) | (3,938) | (9,486) | (11,653) |
| Net loss | | (259,175) | (4,527,888) | (907,727) | (16,034,188) |
| Other comprehensive loss | | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | | |
| Foreign currency translation differences for foreign operations | | 8,416 | 19,325 | 787 | 24,066 |
| Loss and comprehensive loss | | (250,759) | (4,508,563) | (906,940) | (16,010,122) |
| Net loss attributable to: | | | | | |
| Equity holders of the parent | | (258,955) | (4,508,563) | (899,009) | (15,999,403) |
| Non-controlling interests | | (220) | - | (8,718) | (10,719) |
| Total | | (259,175) | (4,508,563) | (907,727) | (16,010,122) |
| Total comprehensive loss attributable to: | | | | | |
| Equity holders of the parent | | (250,539) | (4,508,563) | (898,222) | (15,999,403) |
| Non-controlling interests | | (220) | - | (8,718) | (10,719) |
| Total | | (250,759) | (4,508,563) | (906,940) | (16,010,122) |
| Basic and diluted loss per share for the period attributable to common shareholders (\$ per common share) | | (0.03) | (0.74) | (0.11) | (3.18) |
| Weighted average number of common shares outstanding - basic and diluted | | 8,640,898 | 6,109,427 | 8,303,832 | 5,038,451 |

See accompanying notes to these condensed consolidated interim financial statements.

Atmfizer Technologies Inc.

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

| | Note(s) | Share capital | | Share subscription received | Warrants reserve | Stock options reserve | Restricted share unit reserve | Additional paid-in capital | Accumulated deficit | Accumulated other comprehensive income | TOTAL | Non-controlling interest | TOTAL |
|--|---------|------------------|-------------------|-----------------------------|------------------|-----------------------|-------------------------------|----------------------------|---------------------|--|--------------------|--------------------------|--------------------|
| | | # | \$ | | | | | | | | | | |
| Balance as of December 31, 2022 | | 6,687,398 | 44,415,306 | - | 849,465 | 4,474 | 73,019 | 4,789,996 | (50,841,125) | 23,517 | (685,348) | (3,938) | (689,286) |
| Shares issued for cash, net of share issue costs | 7 | 1,858,500 | 203,505 | - | - | - | - | - | - | - | 203,505 | - | 203,505 |
| Reclassification of grant-date fair value on issue of shares for the restricted shares units | 7 | 95,000 | 48,502 | - | - | - | (48,502) | - | - | - | - | - | - |
| Share-based payments | 7 | - | - | - | - | 3,306 | 67,138 | - | - | - | 70,444 | - | 70,444 |
| Loss and comprehensive loss | | - | - | - | - | - | - | - | (899,009) | 787 | (898,222) | (8,718) | (906,940) |
| Balance as of September 30, 2023 | | 8,640,898 | 44,667,313 | - | 849,465 | 7,780 | 91,655 | 4,789,996 | (51,740,134) | 24,304 | (1,309,621) | (12,656) | (1,322,277) |

| | | | | | | | | | | | | | |
|---|---|------------------|-------------------|------------|----------------|----------------|------------------|---|---------------------|---------------|---------------------|-----------------|---------------------|
| Balance at December 31, 2021 | | 3,696,513 | 32,012,790 | 300 | 849,465 | 383,142 | 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) | 7 | 2,339,575 | 1,343,629 | - | - | - | - | - | - | - | 1,343,629 | - | 1,343,629 |
| Shares issued for restricted shares units | 7 | 67,750 | 5,474,314 | - | - | - | (5,474,314) | - | - | - | - | - | - |
| Shares issued for settlement of accounts payable | 7 | 225,000 | 621,730 | - | - | - | - | - | - | - | 621,730 | - | 621,730 |
| Shares issued for services initially recognized as prepaid expenses | 7 | 225,000 | 903,048 | - | - | - | - | - | - | - | 903,048 | - | 903,048 |
| Share-based payments | 7 | - | - | - | - | 367,524 | 8,907,158 | - | - | - | 9,274,682 | - | 9,274,682 |
| Other comprehensive income | | - | - | - | - | - | - | - | - | 24,066 | 24,066 | - | 24,066 |
| Loss for the period | | - | - | - | - | - | - | - | (16,023,469) | - | (16,023,469) | (10,719) | (16,034,188) |
| Balance as of September 30, 2022 | | 6,553,838 | 40,355,511 | 300 | 849,465 | 750,666 | 7,494,405 | - | (38,629,680) | 28,299 | 10,848,966 | (3,938) | 10,845,028 |

See accompanying notes to these condensed consolidated interim financial statements.

Atmfizer Technologies Inc.

Condensed Consolidated Interim Statements of Cash Flows (unaudited)

(Expressed in United States Dollars)

| | Note(s) | For the nine months ended | |
|--|---------|---------------------------|-----------------------|
| | | September 30, 2023 | September 30, 2022 |
| | | \$ | \$ |
| Cash flow from (used in) | | | |
| OPERATING ACTIVITIES | | | |
| Net loss | | (907,727) | (16,034,188) |
| Accretion of interest of note payable | 6 | 5,824 | 8,652 |
| Amortization | | - | 718,547 |
| Depreciation | 4 | 7,398 | 7,387 |
| Impairment of inventory | | - | 712,245 |
| Impairment of receivable | | 20,333 | 210,000 |
| Share-based payments | | 70,444 | 9,274,682 |
| Shares issued for services | | - | 1,463,643 |
| Net changes in non-cash working capital items: | | | |
| Accounts receivable | | 8,625 | 77,529 |
| Prepaid expenses | | (28,011) | 858,794 |
| Inventory | | - | (204,432) |
| Accounts payable and accrued liabilities | | 349,247 | 311,316 |
| Cash flow used in operating activities | | (473,867) | (2,595,825) |
| INVESTING ACTIVITIES | | | |
| Purchase of intellectual property | | - | (64,488) |
| Cash flow used in investing activities | | - | (64,488) |
| FINANCING ACTIVITIES | | | |
| Proceeds on issuance of common shares, net of cash share issue costs | 7 | 203,505 | 1,343,629 |
| Cash flow provided by financing activities | | 203,505 | 1,343,629 |
| Effects of exchange rate changes on cash | | (19) | (782) |
| Decrease in cash | | (270,381) | (1,317,466) |
| Opening cash | | 400,977 | 1,909,675 |
| Ending cash | | 130,596 | 592,209 |
| Supplemental cash flow information | | | |
| Reclassification of grant-date fair value on issue of shares for the restricted shares units | 7 | 48,502 | 5,474,314 |
| Shares issued for debt settlement | 7 | - | 621,730 |
| Shares issued for services | | - | 903,048 |
| Cash paid for income taxes | | - | - |
| Cash paid for interest | | - | - |

See accompanying notes to these condensed consolidated interim financial statements.

Atmfizer Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Nine Months Ended September 30, 2023

(Expressed in United States Dollars)

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Atmfizer Technologies Inc. (“Atmfizer”, “ATMO” or the “Company”) is a publicly traded company which, effective September 21, 2017, commenced trading on the NEX under the trading symbol CXA.H. The NEX is a separate board of the TSX Venture Exchange (“TSXV”) for issuers previously listed on the Toronto Stock Exchange or TSXV but which no longer maintain compliance with the ongoing financial listing standards of those markets. On November 12, 2021 the Company voluntarily delisted from the TSXV.

The Company 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.

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

Going Concern

These unaudited condensed consolidated interim financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Realization values may be substantially different from carrying values as shown and the financial statements do not given effect to adjustments that would be necessary to the carrying values and the classification of assets and liabilities should the Company be unable to continue operating as a going concern. Such adjustments could be material.

At September 30, 2023, the Company had an accumulated deficit of \$51,740,134 (December 31, 2022 – \$50,841,125) and a working capital deficiency of \$1,329,407 (December 31, 2022 – \$703,813). The Company incurred a net loss of \$907,727 during the nine months ended September 30, 2023. These circumstances raise material uncertainties which may cast substantial doubt as to the ability of the Company to meet its ongoing obligations as they come due, and accordingly, the appropriateness of the use of the accounting principles applicable to a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to raise adequate financing to meet its present and future commitments and to generate profitable operations in the future.

Share Consolidation

On January 12, 2023, the Company completed a share consolidation of one post-consolidation common share for twenty pre-consolidation common shares (“Common Shares”). The number of shares and relevant information including but not limited to the share price, number of warrants (“Warrants”), stock options (“Options”) and restricted stock units (“RSUs”) and exercise price per warrant and option presented in these unaudited condensed consolidated interim financial statements had been retroactively adjusted accordingly.

Financial Reporting and Disclosure during Economic Uncertainty

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic; the Company has not been significantly impacted by the spread of COVID-19. However, the ongoing COVID-19 pandemic, inflationary pressures, rising interest rates, the global financial climate and the conflict in Ukraine are affecting current economic conditions and increasing economic uncertainty, which may impact the Company’s operating performance, financial position and the Company’s ability to raise funds at this time.

Atmfizer Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Nine Months Ended September 30, 2023

(Expressed in United States Dollars)

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 nine months ended September 30, 2023 were approved by the Board of Directors on November 29, 2023

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, 2022.

New accounting standards

There were no new or amended IFRS pronouncements effective January 1, 2023 that impacted these condensed consolidated interim financial statements.

3. ACCOUNTS RECEIVABLE

| | September 30, 2023 | December 31, 2022 |
|--|--------------------|-------------------|
| | \$ | \$ |
| Harmonized sales tax receivable and value-added tax receivable | 63,970 | 70,138 |
| Other receivables (Note 4) | 313,002 | 335,792 |
| | 376,972 | 405,930 |

During the nine months ended September 30, 2023, the Company recognized an impairment of receivable of \$20,333 (September 30, 2022 – \$210,000).

4. EQUIPMENT

| | \$ |
|--|---------------|
| COST | |
| As of September 30, 2023 and December 31, 2022 | 29,547 |
| ACCUMULATED DEPRECIATION | |
| As of December 31, 2022 | (15,020) |
| Additions | (7,398) |
| As of September 30, 2023 | (22,417) |
| Net book value as of December 31, 2022 | 14,527 |
| Net book value as of September 30, 2023 | 7,130 |

Atmfizer Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Nine Months Ended September 30, 2023

(Expressed in United States Dollars)

4. EQUIPMENT (CONTINUED)

On November 4, 2022, the Company sold a property based in Mississauga, Ontario (the “Mississauga Property”) for \$421,864 (CA\$575,000) to a real estate developer (the “Buyer”). The Company received \$110,051 (CA\$150,000) immediately upon closing and agreed to give the Buyer a six-month 7.5% first ranking vendor-take back mortgage against the Mississauga Property for the balance of the proceeds of \$313,002 (CA\$425,000) was included in accounts receivable as other receivables as of September 30, 2023 (December 31, 2022 – \$311,813 (CA\$425,000)). The mortgage matured on May 1, 2023, and was subsequently amended to September 4, 2023. Subsequent to the quarter an amount of CA\$ 100,000 of the principal was collected and the balance of the principal (CA\$ 325,000) was further extended until November 30, 2023. The Mississauga Property was a non-core asset of the Company, which two of its subsidiaries acquired title to pursuant to a legacy option agreement for \$nil consideration immediately prior to the sale transaction.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

| | September 30, 2023 | December 31, 2022 |
|---------------------|--------------------|-------------------|
| | \$ | \$ |
| Trade payables | 1,188,120 | 803,559 |
| Accrued liabilities | 403,548 | 438,894 |
| | 1,591,668 | 1,242,453 |

6. NOTES PAYABLE

In connection with the reverse takeover of Vaxxinator Enterprises Inc. (the “RTO”) during the year ended December 31, 2021, the Company assumed five unsecured promissory notes with principal amount of CA\$345,045. 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 one of the promissory noteholders to extend the maturity date to January 31, 2024. The total of these loans that were extended was CA\$220,045. The amount of the loans that were due as of September 30, 2023, was CA\$125,000.

During the nine months ended September 30, 2023, the Company recognized interest expenses of \$5,824 (CA\$7,838) (September 30, 2022 – \$8,652 (C\$11,094)).

As of September 30, 2023, the balance of the note payables including outstanding interest was \$291,220 (CA\$395,425) (December 31, 2022 – \$286,169 (CA\$387,587)).

Atmfizer Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Nine Months Ended September 30, 2023

(Expressed in United States Dollars)

7. SHARE CAPITAL

Authorized share capital

Unlimited number of Common Shares without par value.

Issued share capital

At September 30, 2023, the Company had 8,640,898 (December 31, 2022 – 6,687,398) common shares issued and outstanding with a value of \$44,667,314 (December 31, 2022 – of \$44,415,306).

During the year ended December 31, 2022, 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 ATM Program was terminated on August 29, 2023.

During the nine months ended September 30, 2023

- The Company sold 1,858,500 common shares under the ATM Program with gross proceeds of \$208,722 (CA\$280,816). In connection with the share issuance of 1,858,500 common shares, the Company paid a commission of \$5,217 (CA\$7,020).

The average gross and net share price of the 1,668,500 common shares issued under the ATM Program was \$0.112 (CA\$0.151) and \$0.11 (CA\$0.147), respectively.

- The Company issued 95,000 common shares with fair value of \$48,502 for the restricted share unit.

During the nine months ended September 30, 2022

- The Company issued 225,000 common shares with fair value of \$903,048 to an arm’s length party, Steinbrenner Racing, LLC (“Steinbrenner Racing”), to become the official supply sponsor of Steinbrenner Racing.
- The Company entered into a debt settlement agreement with two of the vendors to satisfy the debt with an amount of \$621,730 by issuing 225,000 Common Shares.
- The Company incurred \$170,000 setup fee for the ATM program which was recognized as share issuance costs.
- The Company sold 2,339,575 common shares under the ATM Program. The gross proceeds of the 2,339,575 Common Shares issued during the nine months ended September 30, 2022, were \$1,832,617 (C\$2,338,580). In connection with the share issuance of 2,339,575 common shares, the Company paid a commission of \$45,819 (C\$58,465). The average gross and net share price of the ,339,575 common shares issued under the ATM Program was \$0.039 (C\$0.049) and \$0.038 (C\$0.049), respectively.

In addition, the Company incurred legal fees of \$237,281 which was recognized as share issuance costs during the nine months ended September 30, 2022.

- The Company issued 67,750 Common Shares with fair value of \$5,474,314 for the settlement of vested restricted share units (“RSUs”).

Atmofizer Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Nine Months Ended September 30, 2023

(Expressed in United States Dollars)

7. SHARE CAPITAL (CONTINUED)

Warrants

The changes in Warrants during the nine months ended September 30, 2023, are as follows:

| | Number outstanding | Weighted average exercise price (\$) |
|---|-----------------------|---|
| Balance as of December 31, 2022 | 124,208 | 70.00 |
| Expired | (122,375) | 70.00 |
| Balance as of September 30, 2023 | 1,833 | 70.00 |

During the nine months ended September 30, 2023, 122,375 warrants expired unexercised.

During the nine months ended September 30, 2022, no warrants were issued, exercised or expired.

The following summarizes information about Warrants outstanding and exercisable as of September 30, 2023:

| Expiry date | Exercise price (\$) | Warrants outstanding | Estimated grant date fair value (\$) | Weighted average remaining contractual life (in years) |
|---|--------------------------------|---------------------------------|---|---|
| October 20, 2023 | 70.00 | 1,833 | - | 0.05 |
| | | 1,833 | - | 0.05 |
| Weighted average exercise price (\$) | | 70.00 | | |

Subsequent to September 30, 2023, 1,833 warrants expired unexercised.

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 incentive stock options ("Options") and RSUs. The Incentive Plan is administered by the Board, 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 RSUs. For RSUs, upon vesting, the Company has the option to settle the RSU by (i) issuing Common Shares, (ii) paying the cash equivalent or (iii) a combination thereof.

The Incentive Plan was approved on September 21, 2021.

Atmofizer Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Nine Months Ended September 30, 2023

(Expressed in United States Dollars)

7. SHARE CAPITAL (CONTINUED)

Equity Incentive Plan (the “Incentive Plan”) (continued)

- **Stock options**

During the nine months ended September 30, 2023, no options were granted, exercised or expired.

During the nine months ended September 30, 2022

- On March 15, 2022, The Company granted 50,000 Options with an exercise price \$5.00 to its Chief Commercial Officer and President. The Options are exercisable until March 15, 2027. One-third vest will vest every six months thereafter. These Options were cancelled on September 7, 2022.
- On September 7, 2022, the Company entered into an agreement with various option holders to cancel a total of 144,167 options previously granted. As a result of the cancellation, pursuant to IFRS 2, “Share-Based Payment”, the Company recognized the amount that otherwise would have been recognized over the remainder of the vesting period with an amount of \$30,568 during the nine months ended September 30, 2022.
- On September 13, 2022, the Company granted 50,000 Options with an exercise price \$0.40 to its Chief Commercial Officer and President. The Options are exercisable until September 13, 2027. One-fourth vest will vest every three months thereafter.

During the nine months ended September 30, 2023, the Company recognized share-based payments arising from the stock options of \$3,306 (September 30, 2022 – \$367,524).

The following summarizes information about Options outstanding and exercisable at September 30, 2023:

| Expiry date | Exercise price (\$) | Options outstanding | Options exercisable | Estimated grant date fair value (\$) | Weighted average remaining contractual life (in years) |
|---|----------------------------|----------------------------|----------------------------|---|---|
| September 13, 2027 | 0.40 | 50,000 | 50,000 | 7,780 | 3.96 |
| | | 50,000 | 50,000 | 7,780 | 3.96 |
| Weighted average exercise price (\$) | | 0.40 | 0.40 | | |

- **RSU**

The changes in RSUs during the nine months ended September 30, 2023 are as follows:

| | Number outstanding |
|--|---------------------------|
| Balance as of December 31, 2022 | 285,000 |
| Issued common shares for the restricted shares units | (95,000) |
| Balance as of September 30, 2023 | 190,000 |

Atmfizer Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Nine Months Ended September 30, 2023

(Expressed in United States Dollars)

7. SHARE CAPITAL (CONTINUED)

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

- RSU (continued)

During the nine months ended September 30, 2023

- The Company issued 95,000 Common Shares for the settlement of vested RSUs.

During the nine months ended September 30, 2022

- The Company issued 37,500 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.
- The Company issued 333,000 RSUs with fair value of \$100,355 to the Company's officers and directors. One-third will vest every three months after the grant date.
- The Company amended the vesting term of 48,000 RSUs previously granted to the Company's directors on November 19, 2021. Under the original term, one-sixth of the RSUs will vest every six months after the grant date. After the amendment, half of the RSUs will vest every six months after the grant date.

During the nine months ended September 30, 2023, the Company recognized share-based payments expense arising from the RSUs of \$67,138 (September 30, 2022 – \$8,907,158).

8. 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 nine months ended September 30, 2023

- The short-term benefits incurred for the key management personnel were \$416,111.
- In addition, the Company incurred \$3,914 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.

Atmfizer Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Nine Months Ended September 30, 2023

(Expressed in United States Dollars)

8. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

During nine months ended September 30, 2022

- The short-term benefits incurred for the key management personnel were \$606,576. This amount was recognized as salaries and wages in the statement of loss and comprehensive loss.
- The Company granted the following options and RSUs to its officers and directors (Note 7):
 - 50,000 options with an exercise price \$5.00 which was cancelled subsequently to its Chief Commercial Officer and President;
 - 50,000 options with an exercise price \$0.40 to its Chief Commercial Officer and President;
 - 370,500 RSUs to its officers and directors.
- The Company cancelled 90,000 Options previously granted to its CEO on April 15, 2021 (Note 7).
- The Company recognized share-based payments of \$3,651,924 related to the Options and RSUs granted to the Company's officers and directors.
- In addition, the Company incurred \$146,984 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 included in accounts payable and accrued liabilities were \$1,172,845 as of September 30, 2023 (December 31, 2022 – \$855,915). The balance is unsecured, non-interest bearing with no fixed terms of repayment.

In addition, the loan payable (Note 6) included an amount of \$21,693 (December 31, 2022 – \$20,734) due to one of the Company's directors.

9. SEGMENTED INFORMATION

The Company operates in one reportable segment being the sale of the air purifier, with all sales principally generated from the United States. All of the Company's non-current assets are located in the United States.

Atmfizer Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Nine Months Ended September 30, 2023

(Expressed in United States Dollars)

10. CAPITAL MANAGEMENT

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

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the nine months ended September 30, 2023.

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

11. 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 September 30, 2023 and December 31, 2022, 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.

Atmfizer Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Nine Months Ended September 30, 2023

(Expressed in United States Dollars)

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

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

| | September 30, 2023 | FVTPL | Amortized costs | FVTOCI |
|--|--------------------|---------|-----------------|--------|
| | \$ | \$ | \$ | \$ |
| FINANCIAL ASSETS | | | | |
| ASSETS | | | | |
| Cash | 130,596 | 130,596 | - | - |
| Accounts receivable | 376,972 | - | 376,972 | - |
| FINANCIAL LIABILITIES | | | | |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | (1,591,668) | - | (1,591,668) | - |
| Notes payable | (291,220) | - | (291,220) | - |
| | | | | |
| | December 31, 2022 | FVTPL | Amortized costs | FVTOCI |
| | \$ | \$ | \$ | \$ |
| FINANCIAL ASSETS | | | | |
| ASSETS | | | | |
| Cash | 400,977 | 400,977 | - | - |
| Accounts receivable | 405,930 | - | 405,930 | - |
| FINANCIAL LIABILITIES | | | | |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | (1,242,453) | - | (1,242,453) | - |
| Notes payable | (286,169) | - | (286,169) | - |

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 total cash and accounts receivable represent the maximum credit exposure. The Company limits its credit risk exposure by holding cash with reputable financial institutions with high credit ratings.

For accounts 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. The Company has a receivable as of September 30, 2023 with an amount of \$313,002 (CA\$425,000) (Notes 3 and 4). The Company evaluated the purchaser of the land as a credit worthy property developer at the time of the sale and does not see a high credit risk on this receivable as the Purchaser paid a cash deposit of 26% of the purchase price and the Company has secured the note against the land that was sold through a first mortgage against the property.

Atmfizer Technologies Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the Nine Months Ended September 30, 2023

(Expressed in United States Dollars)

11. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due. As of September 30, 2023, the Company had cash of \$130,596 to meet short-term business requirements. As of September 30, 2023, the Company had accounts payable and accrued liabilities and notes payable of \$1,591,668 and \$291,220, respectively.

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's notes payable are not subject to interest rate risk as it is not subject to a variable interest rate.

- 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 United States Dollars (" \$" or "US\$"), Canadian Dollars ("CA\$") and European euro ("€"); therefore, CA\$ and € accounts are subject to fluctuation against the United States Dollars.

The Company had the following balances in foreign currency as at September 30, 2023:

| | US\$ | CA\$ | € |
|--|------------------|------------------|--------------|
| Cash | 9,112 | 164,953 | - |
| Accounts receivable | - | 511,860 | - |
| Accounts payable and accrued liabilities | (750,660) | (1,141,319) | (431) |
| Notes payable | - | (395,425) | - |
| | (741,548) | (859,931) | (431) |
| Rate to convert to \$1.00 US\$ | 1.00 | 0.74 | 1.06 |
| Equivalent to US\$ | (741,548) | (633,317) | (456) |

Based on the above net exposures as at September 30, 2023, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the USD against the CA\$ and € would increase/decrease comprehensive loss by \$63,000.