ATMOFIZER TECHNOLOGIES INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in United States Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Atmofizer Technologies Inc.

Opinion

We have audited the accompanying consolidated financial statements of Atmofizer Technologies Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit 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 describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our auditor's report.

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 Accounting Standards, 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year ended and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 29, 2024

Table of Contents

(Expressed in United States Dollars)

As at	Note(s)	December 31, 2023 $	December 31, 2022 $
ASSETS			
Current assets			
Cash		224,469	400,977
Accounts receivable	3	66,787	405,930
Prepaid expenses	4	13,442	10,446
Inventory	5	-	7,456
		304,698	**824,809**
Non-current assets			
Equipment	6	-	14,527
TOTAL ASSETS		**304,698**	**839,336**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	1,443,519	1,242,453
Notes payable	9	300,409	286,169
TOTAL LIABILITIES		**1,743,928**	**1,528,622**
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	10	44,667,313	44,415,306
Warrants reserve	10	849,465	849,465
Stock options reserve	10	-	4,474
Restricted share unit reserve	10	94,601	73,019
Additional paid-in capital		4,795,831	4,789,996
Accumulated deficit		(51,863,159)	(50,841,125)
Accumulated other comprehensive income		16,719	23,517
Equity attributable to owners of the Company		**(1,439,230)**	**(685,348)**
Non-controlling interest	10	-	(3,938)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		**(1,439,230)**	**(689,286)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		**304,698**	**839,336**

Corporate information and continuance of operations	**1**
Segmented information	**12**
Subsequent events	**1**

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 years ended	
		December 31, 2023	December 31, 2022
	Note(s)	$	$
Revenue		-	**210,000**
Cost of goods sold		-	**(149,707)**
Gross profit		-	**60,293**
Expenses			
Amortization		-	958,148
Consulting fees		59,218	1,470,737
Depreciation		9,864	9,864
Foreign exchange loss		22,581	3,436
General and administrative expenses		138,105	326,426
Impairment of other receivable	3	20,333	210,000
Impairment of intellectual property	7	-	8,150,068
Impairment of plant and equipment		4,665	-
Impairment of inventory	5	22,747	872,121
Marketing expenses		27,993	2,081,045
Professional fees	11	183,260	696,316
Research and development		41,715	305,528
Salaries and wages	11	580,349	1,160,157
Share-based payments	11	71,445	9,881,471
Transfer agent, regulatory and filing fees		39,117	120,553
Travel		29,194	80,935
Total expenses		**(1,250,586)**	**(26,326,805)**
Other income (expenses)			
Finance costs		(12,571)	(14,990)
Recovery of accounts payable	11	184,868	-
Loss on debt settlement	8, 10	-	(39,536)
Gain on disposal	6	-	421,864
Loss on disposition of subsidiaries	10	(338)	-
Write-off of advance payments	4	-	(2,346,459)
Other income	5	60,764	-
Net loss		**(1,017,863)**	**(28,245,633)**
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations		(6,798)	19,284
Comprehensive loss		**(1,024,661)**	**(28,226,349)**
Net loss attributable to:			
Equity holders of the parent		(1,022,034)	(28,215,630)
Non-controlling interests		4,171	(10,719)
Total		**(1,017,863)**	**(28,226,349)**
Total comprehensive loss attributable to:			
Equity holders of the parent		(1,028,832)	(28,215,630)
Non-controlling interests		4,171	(10,719)
Total		**(1,024,661)**	**(28,226,349)**
Basic and diluted loss per share for the period attributable to common shareholders ($ per common share)		**(0.12)**	**(5.20)**
Weighted average number of common shares outstanding - basic and diluted		**8,388,791**	**5,426,265**

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

	Note(s)	Share capital #	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	10	1,858,500	203,505	-	-	-	-	-	-	-	**203,505**	-	**203,505**
Reclassification of grant-date fair value on expired stock options	10	-	-	-	-	(5,835)	-	5,835	-	-	**-**	-	**-**
Reclassification of grant-date fair value on issue of shares for the restricted shares units	10	95,000	48,502	-	-	-	(48,502)	-	-	-	**-**	-	**-**
Derecognition of non-controlling interest	10	-	-	-	-	-	-	-	-	-	**-**	(233)	**(233)**
Share-based payments	10	-	-	-	-	1,361	70,084	-	-	-	**71,445**	-	**71,445**
Loss and comprehensive loss		-	-	-	-	-	-	-	(1,022,034)	(6,798)	**(1,028,832)**	4,171	**(1,024,661)**
Balance as of December 31, 2023		**8,640,898**	**44,667,313**	**-**	**849,465**	**-**	**94,601**	**4,795,831**	**(51,863,159)**	**16,719**	**(1,439,230)**	**-**	**(1,439,230)**

Balance as of 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	10	2,339,575	1,379,517	(300)	-	-	-	-	-	-	**1,379,217**	-	**1,379,217**
Shares issued for debt settlement	8, 10	225,000	661,266	-	-	-	-	-	-	-	**661,266**	-	**661,266**
Shares issued for services	10	225,000	903,048	-	-	-	-	-	-	-	**903,048**	-	**903,048**
Reclassification of grant-date fair value on expired stock options	10	-	-	-	-	(749,908)	-	749,908	-	-	**-**	-	**-**
Reclassification of grant-date fair value on issue of shares for the restricted shares units	10	201,310	9,458,685	-	-	-	(9,458,685)	-	-	-	**-**	-	**-**
Reclassification of grant-date fair value on cancelled restricted shares units	10	-	-	-	-	-	(4,040,088)	4,040,088	-	-	**-**	-	**-**
Share-based payments	10	-	-	-	-	371,240	9,510,231	-	-	-	**9,881,471**	-	**9,881,471**
Loss and comprehensive loss		-	-	-	-	-	-	-	(28,234,914)	19,284	**(28,215,630)**	(10,719)	**(28,226,349)**
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)**

(Expressed in United States Dollars)

	Note(s)	For the years ended December 31, 2023 $	December 31, 2022 $
Cash flow from (used in)			
OPERATING ACTIVITIES			
Net loss		(1,017,863)	(28,245,633)
Accretion of interest of note payable	9	7,674	11,463
Amortization	7	-	958,148
Depreciation	6	9,864	9,864
Impairment of intellectual property	7	-	8,150,068
Impairment of inventory	5	22,747	872,121
Impairment of plant and equipment		4,665	-
Impairment of receivable	3	20,333	210,000
Recovery of accounts payable	11	(184,868)	-
Loss on debt settlement	8, 10	-	39,536
Gain on disposal		-	(421,864)
Loss (gain) on disposition of subsidiaries	10	338	-
Share-based payments	10	71,445	9,881,471
Shares issued for services	10	-	903,048
Write-off of advance payments	4	-	2,346,459
Net changes in non-cash working capital items:			
Accounts receivable		3,876	184,078
Prepaid expenses		(2,996)	1,997,918
Inventory		(15,291)	(211,888)
Accounts payable and accrued liabilities		385,666	225,353
Cash flow used in operating activities		**(694,410)**	**(3,089,858)**
INVESTING ACTIVITIES			
Proceeds from disposal of property	6	314,934	110,051
Purchase of intellectual property	7	-	(64,488)
Disposal of a subsidiary, net of cash	10	(571)	-
Cash flow provided by (used in) investing activities		**314,363**	**45,563**
FINANCING ACTIVITIES			
Proceeds on issuance of common shares, net of cash share issue costs	10	203,505	1,536,245
Cash flow provided by financing activities		**203,505**	**1,536,245**
Effects of exchange rate changes on cash		34	(648)
Decrease in cash		**(176,508)**	**(1,508,698)**
Opening cash		**400,977**	**1,909,675**
Ending cash		**224,469**	**400,977**

Supplemental cash flow information			
Reclassification of grant-date fair value on expired stock options	10	5,835	749,908
Reclassification of grant-date fair value on issue of shares for the restricted shares units	10	48,502	9,458,685
Share issue costs included in accounts payable and accrued liabilities		-	157,028
Shares issued for debt settlement	8, 10	-	661,266
Shares issued for services	10	-	903,048
Cash paid for income taxes		-	-
Cash paid for interest		-	-

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Atmofizer Technologies Inc. ("Atmofizer", "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 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. 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 December 31, 2023, the Company had an accumulated deficit of $51,863,159 (December 31, 2022 – $50,841,125) and a working capital deficiency of $1,439,230 (December 31, 2022 – $703,813). The Company incurred a net loss of $1,017,863 during the year ended December 31, 2023 (December 31, 2022 – $$28,245,633). 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 consolidated financial statements had been retroactively adjusted accordingly.

2. MATERIAL ACCOUNTING POLICY INFORMATION 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 IFRS Accounting Standards issued by the International Accounting Standards Board.

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 years ended December 31, 2023 and 2022 were approved by the Board of Directors on April 29, 2023.

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 – December 31, 2023 - 100%; December 31, 2022 - 100%);
- Atmofizer USA, LLC (formerly known as “The Better Tomorrow Project LLC”), a company incorporated under the laws of the State of Florida (ownership – December 31, 2023 - 100%; December 31, 2022 - 100%)*; and
- Vaxxinator Lease Co., LLC, a company incorporated under the laws of the State of Nevada) (ownership – December 31, 2023 - nil%; December 31, 2022 - 100%) (Note 10).

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* Atmofizer USA, LLC was voluntarily dissolved on April 9, 2024.

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.

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION (CONTINUED)

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.

  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. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION (CONTINUED)

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

- **Critical accounting estimates (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.

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.

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Foreign exchange (continued)

- 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.

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, 2023 and 2022, 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (continued)

- **Financial assets (continued)**

  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, 2023 and 2022, 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, 2023 and 2022, the Company has classified its cash and amounts receivable as amortized cost.

  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, 2023 and 2022, the Company has classified its accounts payable and accrued liabilities and notes payables as other financial liabilities.

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (continued)

- **Financial liabilities (continued)**

  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 14 for further disclosures.

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.

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. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION (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 air purifiers 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, 2023 and 2022, no provision of warranty liabilities was recognized.

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.

(Expressed in United States Dollars)

2. MATERIAL ACCOUNTING POLICY INFORMATION 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.

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 International Accounting Standards Board (IASB) or International Financial Reporting Interpretation Committee that are mandatory for accounting periods beginning on or after January 1, 2024. 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, 2024 will have a significant impact on the Company's results of operations or financial position.

3. ACCOUNTS RECEIVABLE

	December 31, 2023 $	December 31, 2022 $
Harmonized sales tax receivable and value-added tax receivable	66,787	70,138
Other receivables (Note 6)	-	335,792
	66,787	**405,930**

During the year ended December 31, 2023, the Company recognized an impairment of other receivable of $20,333 (December 31, 2022 – $210,000).

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.

- During the year ended December 31, 2022, the Company the Company recognized a write-off of advance payments for a deposit made in an amount of $394,935 in the statement of loss and comprehensive loss.

- 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 of these amendments, the Company issued 225,000 Common Shares with fair value of $903,048 to Steinbrenner Racing (Note 10).

  During the year ended December 31, 2022, $1,951,524 was charged to marketing expenses in the statement of loss and comprehensive loss.

  As of December 31, 2022, the Company decided to impair the remaining prepaid amount of the Sponsorship Agreement; as a result, the Company recognized a write-off of advance payments for the remaining unamortized amount of $1,951,524 in the statement of loss and comprehensive loss during the year ended December 31, 2022.

5. INVENTORY

As of December 31, 2023 and 2022, the Company has inventories consisting of finished goods of $nil and $7,456, respectively.

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, 2023 and 2022, the Company charged $nil and $149,707, respectively, as cost of goods sold.

Other income for the year ended December 31, 2023, comprises the sale of inventory, amounting to $73,512, with associated costs of $12,748. The Company made this reclassification due to the sales not aligning with its current business objectives. Consequently, the amount was reclassified as other income.

In addition, during the year ended December 31, 2023 and 2022, the Company recognized an impairment of inventories of $22,747 and $872,121 for the obsolete inventory, respectively.

(Expressed in United States Dollars)

6. EQUIPMENT

	Computer equipment $
COST	
As of December 31, 2021	29,547
As of December 31, 2022	**29,547**
ACCUMULATED DEPRECIATION	
As of December 31, 2021	(5,156)
Additions	(9,864)
As of December 31, 2022	**(15,020)**
Net book value as of December 31, 2022	**14,527**

	$
COST	
As of December 31, 2023 and December 31, 2022	**29,547**
Impairment	(29,547)
As of December 31, 2023	-
ACCUMULATED DEPRECIATION	
As of December 31, 2022	(15,020)
Additions	(9,864)
Impairment	24,882
Effect of movements on exchange rates	2
As of December 31, 2023	-
Net book value as of December 31, 2023	-

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 $311,813 (CA$425,000). The mortgage matured on May 1, 2023, and was subsequently amended to November 30, 2023. During the year ended December 31, 2023, the Company collected the remaining balance of $314,934 (CA$425,000).

In addition, during the year ended December 31, 2023, the Company recognized an impairment of equipment of 4,665.

(Expressed in United States Dollars)

7. INTELLECTUAL PROPERTY

	$
COST	
As of December 31, 2021	9,519,714
Additions	64,488
Impairment	(9,584,202)
As of December 31, 2022	-
ACCUMULATED AMORTIZATION	
As of December 31, 2021	(475,986)
Additions	(958,148)
Impairment	1,434,134
As of December 31, 2022 and 2023	-
Net book value as of December 31, 2022 and 2023	-

- **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 380,000 Common Shares with fair value of $3,800,000 and paid cash in the aggregate amount of $5,446,000 (€4,500,000).

During the year ended December 31, 2022, the Company decided to stop the direct selling of its stand-alone air purifiers in the market and it transitioned its business to another model that integrates its agglomeration technology into the existing forced air systems (HVAC). Due to the lack of sales in the air purification market in 2022 and transition to a new uncertain product application in the HVAC market, the Company wrote off the carrying value of the intangible assets and recognized an impairment of intellectual property of $8,150,068 in the statement of loss and comprehensive loss during the year ended December 31, 2022.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	December 31, 2023	December 31, 2022
	$	$
Trade payables	943,746	803,559
Accrued liabilities	499,773	438,894
	1,443,519	**1,242,453**

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 100,000 Common Shares with fair value of $396,730 for full and final settlement of the debt.

On March 30, 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 125,000 Common Shares.

As a result of the debt settlements, the Company recognized a loss on debt settlement of $39,536 during the year ended December 31, 2022.

9. 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 principal amount of these loans that were extended was CA$220,045. The amount of the loans that were due as of December 31, 2023, was CA$125,000.

During the year ended December 31, 2023, the Company recognized interest expenses of $7,674 (CA$10,356) (December 31, 2022 – $11,463 (CA$14,907)).

As of December 31, 2023, the balance of the note payables including outstanding interest was $300,490 (CA$397,943) (December 31, 2022 – $286,169 (CA$387,587)).

10. SHARE CAPITAL

Authorized share capital

Unlimited number of Common Shares without par value.

Issued share capital

At December 31, 2023, the Company had 8,640,898 (December 31, 2022 – 6,687,398) common shares issued and outstanding with a value of $44,667,313 (December 31, 2022 – of $44,415,306).

During the year ended December 31, 2023

- The Company issued 1,858,500 common shares under the ATM Program for gross proceeds of $208,722 (CA$280,816). The Company paid a commission of $5,217 (CA$7,020).

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

During the year ended December 31, 2022

- As discussed in Note 4, the Company issued 225,000 common shares with fair value of $903,048 to Steinbrenner Racing.

- 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.

  As discussed in Note 8, 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 with fair value of $661,266. As a result of the debt settlements, the Company recognized a loss on debt settlement of $39,536 during the year ended December 31, 2022.

(Expressed in United States Dollars)

10. SHARE CAPITAL (CONTINUED)

Issued share capital

During the year ended December 31, 2022 (continued)

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 year ended December 31, 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 2,339,575 common shares issued under the ATM Program was $0.78 (C$1.00) and $0.76 (C$0.97), respectively.

In addition, the Company incurred legal fees of $237,281 which was recognized as share issuance costs during the year ended December 31, 2022.

- The Company issued 201,310 common shares with fair value of $9,458,685 for the settlement of vested RSUs.

Warrants

The changes in Warrants during December 31, 2023 and 2022, are as follows:

	December 31, 2023		December 31, 2022	
	Number outstanding	Weighted average exercise price ($)	Number outstanding	Weighted average exercise price ($)
Balance, opening	124,208	70.00	124,208	70.00
Expired	(124,208)	70.00	-	-
Balance, closing	**-**	**-**	**124,208**	**70.00**

During the year ended December 31, 2023, 124,208 warrants expired unexercised.

During the year ended December 31, 2022, no warrants were issued, exercised or expired.

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.

(Expressed in United States Dollars)

10. SHARE CAPITAL (CONTINUED)

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

- **Stock options**

The changes in options during the years ended December 31, 2023 and 2022 are as follows:

	December 31, 2023		December 31, 2022	
	Number outstanding	Weighted average exercise price ($)	Number outstanding	Weighted average exercise price ($)
Balance, opening	50,000	0.40	94,167	12.40
Granted	-	-	100,000	2.70
Cancelled	(37,500)	0.40	(144,167)	9.83
Forfeited	(12,500)	0.40	-	-
Balance, closing	**-**	**-**	**50,000**	**0.40**

During the year ended December 31, 2023

- 37,500 and 12,500 options cancelled and forfeited, respectively.

During the year ended December 31, 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.

- On September 7, 2022, the Company entered into an agreement with various option holders to cancel a total of 144,167 options previously granted including the 50,000 granted on March 15, 2022. 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 year ended December 31, 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.

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

Number of options granted	100,000
Risk-free interest rate	2.66%
Expected annual volatility	66%
Expected life (in years)	5
Grant date fair value per option ($)	0.46
Share price at grant date ($)	0.93

During the year ended December 31, 2023 and 2022, the Company recognized share-based payments arising from the options of $1,361 and $371,240, respectively, including the share-based payment of the cancelled options discussed above.

(Expressed in United States Dollars)

10. SHARE CAPITAL (CONTINUED)

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

- RSU

The changes in RSUs during the years ended December 31, 2023 and 2022 are as follows:

	Number outstanding	
	December 31, 2023	**December 31, 2022**
Balance, opening	285,000	156,750
Granted	-	377,500
Issued common shares for the restricted shares units	(95,000)	(201,310)
Cancelled	-	(47,940)
Balance, closing	**190,000**	**285,000**

During the year ended December 31, 2023

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

During the year ended December 31, 2022

- The Company issued 47,500 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 330,000 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 year ended December 31, 2023 and 2022, the Company recognized share-based payments expense arising from the RSUs of $70,084 and $9,510,231, respectively.

(Expressed in United States Dollars)

10. SHARE CAPITAL (CONTINUED)

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

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, 2022 and 2021:

	December 31, 2023	December 31, 2022
	$	$
Opening	(3,938)	6,781
Share of net loss for the year	4,171	(10,719)
Disposition	(233)	-
Ending	**-**	**(3,938)**

On December 5, 2023, the Company entered into an agreement to sell the 60% interest in Vaxxinator Lease Co., LLC for $10; as a result, the Company recognized a loss on disposition of subsidiaries of $338.

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 year ended December 31, 2023

- The short-term benefits incurred for the key management personnel were $531,539.
- The Company incurred professional fees of $37,390 and recorded a recovery of payables of $184,868 from a law firm in which the one of the Company's directors is a partner.
- The Company recognized share-based payments of $71,445 related to the Options and RSUs granted to the Company's directors, officers and former officer.

During year ended December 31, 2022

- The short-term benefits incurred for the key management personnel and former officer were $777,079. 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 10):
  - 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 $5.00 to its Chief Commercial Officer and President;
  - 377,500 RSUs to its officers and directors.

11. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

During year ended December 31, 2022 (continued)

- The Company cancelled 90,000 Options previously granted to its CEO on April 15, 2021 (Note 10).

- The Company recognized share-based payments of $3,648,400 related to the Options and RSUs granted to the Company's officers and directors.

- The Company incurred $168,933 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 balances due to the Company's directors, officers and former officer included in accounts payable and accrued liabilities were $1,039,391 as of December 31, 2023 (December 31, 2022 – $855,915). The balance is unsecured, non-interest bearing with no fixed terms of repayment.

In addition, the note payable (Note 9) included an amount of $22,048 (December 31, 2022 – $20,734) due to one of the Company's directors.

12. 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.

During the year ended December 31, 2022, all the sales come from one customer.

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 years ended December 31, 2023 and 2022.

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

(Expressed in United States Dollars)

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 December 31, 2023 and 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.

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

	December 31, 2023 $	FVTPL $	Amortized costs $	FVTOCI $
FINANCIAL ASSETS				
ASSETS				
Cash	224,469	-	224,469	-
Accounts receivable	66,787	-	66,787	-
FINANCIAL LIABILITIES				
LIABILITIES				
Accounts payable and accrued liabilities	(1,443,519)	-	(1,443,519)	-
Notes payable	(300,409)	-	(300,409)	-

	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)	-

14. FINANCIAL INSTRUMENTS (CONTINUED)

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 other 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 the cash with an amount of $224,469 which is deposited with reputable financial institutions. Amounts receivable are due from government agencies.

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, 2023, the Company had cash of $224,469 to meet short-term business requirements. As of December 31, 2023, the Company had accounts payable and accrued liabilities and notes payable of $1,443,519 and $300,409, 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.

(Expressed in United States Dollars)

14. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

The Company had the following balances in foreign currency as at December 31, 2023:

	US$	CA$	€
Cash	3,417	292,821	-
Accounts receivable	-	88,471	-
Accounts payable and accrued liabilities	(856,449)	(777,701)	18
Notes payable	-	(397,943)	-
	(853,032)	**(794,352)**	**18**
Rate to convert to $1.00 US$	1.00	0.75	1.10
Equivalent to US$	**(853,032)**	**(599,660)**	**20**

Based on the above net exposures as at December 31, 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 $60,000.

15. INCOME TAXES

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

	2023 $	2022 $
Loss for the year	**(1,024,661)**	**28,226,349**
Expected income tax (recovery)	(277,000)	(7,621,000)
Change in statutory, foreign tax, foreign exchange rates and other	8,000	761,000
Permanent differences	20,000	3,766,000
Share issue cost	(1,000)	(64,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	-	531,000
Change in unrecognized deductible temporary differences	250,000	2,627,000
Total income tax expense (recovery)		**-**

(Expressed in United States Dollars)

15. INCOME TAXES (CONTINUED)

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, 2023 $	Expiry Range	December 31, 2022 $	Expiry Range
Temporary Differences				
Property and equipment	24,000	No expiry date	10,000	No expiry date
Intellectual property	8,753,000	No expiry date	8,753,000	No expiry date
Share issue costs	305,000	2043 to 2047	420,000	2043 to 2046
Non-capital losses available for future period	16,015,000	2037 to 2043	14,958,000	2037 to 2042
Canada	9,445,000	2037 to 2043	8,538,000	2037 to 2042
USA	6,570,000	No expiry date	6,420,000	No expiry date

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