

**SCRYB INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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**SEPTEMBER 30, 2021**

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## INDEPENDENT AUDITOR'S REPORT

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### To The Shareholders of Scryb Inc.

#### Opinion

We have audited the financial statements of Scryb Inc. (formerly Relay Medical Corp.) and its subsidiaries (the "Company"), which comprise the statement of financial position as at September 30, 2021 and September 30, 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Canadian International Financial Reporting Standards.

#### 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 Corporation 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 is sufficient and appropriate to provide a basis for our opinion.

#### Other Matters

The comparative figures provided in these financial statements were prepared by the previous accountant. The prior year's statements were issued with an unqualified audit report dated January 31, 2021.

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

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

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the 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 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 misstatements of the 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 Corporation'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 material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation'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 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 Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

*Jackson & Co., LLP*

January 27, 2022  
Toronto, Ontario

Jackson & Co., LLP  
Chartered Professional Accountants  
Licensed Public Accountants

**SCRYB INC.**  
**(Formerly Relay Medical Corp.)**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2021**

	2021	2020
	\$	\$
<b>CURRENT ASSETS</b>		
Cash	5,687,089	896,057
Other receivables (note 5)	2,907,875	582,669
Prepaid expenses	486,965	12,987
	<u>9,081,929</u>	<u>1,491,713</u>
<b>NON-CURRENT ASSETS</b>		
Reclamation bonds (note 12)	73,431	73,431
Property, plant and equipment (note 7)	50,875	64,015
Right-of-use asset (note 8)	299,652	396,785
Investments in associates (note 6)	2,362,989	764,529
Intangible assets (notes 9, 10)	6,197,161	60,000
	<u>8,984,108</u>	<u>1,358,760</u>
<b>TOTAL ASSETS</b>	<u>18,066,037</u>	<u>2,850,473</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	643,801	525,876
Current portion of lease liability (note 11)	89,725	89,725
Convertible debenture (note 13)	-	861,416
Government loan (note 14)	60,000	40,000
	<u>793,526</u>	<u>1,517,017</u>
<b>NON-CURRENT LIABILITIES</b>		
Lease liability (note 11)	293,205	382,929
Government loan (note 14)	122,719	79,296
	<u>415,924</u>	<u>462,225</u>
<b>TOTAL LIABILITIES</b>	<u>1,209,450</u>	<u>1,979,242</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (note 15 (a))	44,913,345	21,963,267
Warrant reserve	7,655,043	4,592,552
Contributed surplus	14,936,216	7,576,121
Equity component of convertible debenture (note 13)	-	20,386
Deficit	(50,648,017)	(33,281,095)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>16,856,587</u>	<u>871,231</u>
	<u>18,066,037</u>	<u>2,850,473</u>

**APPROVED ON BEHALF OF THE BOARD OF DIRECTOR:**

"Greg Van Staveren" Director

"Michael Minder" Director

**SCRYB INC.****(Formerly Relay Medical Corp.)****CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS  
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
	\$	\$
<b>REVENUE</b>		
Royalties	125,930	-
Other revenue (note 6)	973,767	211,831
Government grants and subsidies (note 14)	60,140	89,238
	<b>1,159,837</b>	<b>301,069</b>
<b>EXPENSES</b>		
Amortization expense (note 9)	708,648	259,654
Consulting and management fees (note 17)	1,873,303	1,603,615
Depreciation	140,580	146,630
Interest and accretion	125,231	363,315
Loss (gain) in investment in associate (note 6)	(202,971)	459,022
Office expenses	849,914	261,002
Product research and development costs	525,732	669,862
Professional fees	684,515	194,248
Salaries and benefits	1,941,960	573,881
Share-based compensation (note 15(b))	7,943,116	2,264,106
Shareholder communications and marketing	3,785,003	615,808
Transfer agent and filing fees	38,086	9,003
	<b>18,413,117</b>	<b>7,420,146</b>
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>(17,253,280)</b>	<b>(7,119,077)</b>
<b>LOSS PER SHARE</b>		
Basic and diluted (note 20)	(0.08)	(0.05)
Weighted average number of common shares outstanding, basic and diluted	210,112,140	130,890,338

The accompanying notes are an integral part of these consolidated financial statements

**SCRYB INC.**  
(Formerly Relay Medical Corp.)

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	Capital Stock		Warrant Reserve	Contributed Surplus	Equity Component of Convertible Debentures	Deficit	Total Equity
	Number of shares	\$	\$	\$	\$	\$	\$
<b>Balance - October 1, 2019</b>	<b>124,880,164</b>	<b>18,651,874</b>	<b>3,206,443</b>	<b>5,403,362</b>	-	<b>(25,852,569)</b>	<b>1,409,110</b>
Units issued for cash, net of issuance costs	13,737,866	1,630,574	811,490	-	-	-	2,442,064
Equity component of convertible debentures	-	-	-	-	20,386	-	20,386
Fair value of warrants issued	-	-	265,170	-	-	-	265,170
Shares issued for cash on exercise of options	650,000	211,347	-	(91,347)	-	-	120,000
Shares issued for cash on settlement of debt	7,148,797	1,469,472	-	-	-	-	1,469,472
Share-based compensation	-	-	-	2,264,106	-	-	2,264,106
Warrant modification	-	-	309,449	-	-	(309,449)	-
Net loss for the year	-	-	-	-	-	(7,119,077)	(7,119,077)
<b>Balance - September 30, 2020</b>	<b>146,416,827</b>	<b>21,963,267</b>	<b>4,592,552</b>	<b>7,576,121</b>	<b>20,386</b>	<b>(33,281,095)</b>	<b>871,231</b>
<b>Balance - October 1, 2020</b>	<b>146,416,827</b>	<b>21,963,267</b>	<b>4,592,552</b>	<b>7,576,121</b>	<b>20,386</b>	<b>(33,281,095)</b>	<b>871,231</b>
Units issued for cash, net of issuance costs	42,862,500	4,650,801	3,921,697	-	-	-	8,572,498
Units issued in relation to acquisition of Cybeats Technologies Inc.	10,950,819	6,680,000	-	-	-	-	6,680,000
Shares issued on exercise of options (note 15 (b))	10,538,000	2,571,750	-	(583,021)	-	-	1,988,729
Shares issued on exercise of warrants (note 15 (c))	26,230,003	8,086,287	(826,553)	-	-	-	7,259,734
Share-based compensation	-	-	-	7,943,116	-	-	7,943,116
Conversion of debentures	5,250,000	945,000	-	-	(20,386)	-	924,614
Warrant modification	-	-	113,642	-	-	(113,642)	-
Share buyback (NCIB)	(1,558,000)	(342,760)	-	-	-	-	(342,760)
Expiration of warrants	-	-	(146,295)	-	-	-	(146,295)
Shares issued on settlement of debt	588,524	359,000	-	-	-	-	359,000
Net loss for the year	-	-	-	-	-	(17,253,280)	(17,253,280)
<b>Balance - September 30, 2021</b>	<b>241,278,673</b>	<b>44,913,345</b>	<b>7,655,043</b>	<b>14,936,216</b>	-	<b>(50,648,017)</b>	<b>16,856,587</b>

The accompanying notes are an integral part of these consolidated financial statements

SCRYB INC.

(Formerly Relay Medical Corp.)

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
	\$	\$
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss and comprehensive loss for the year	(17,253,280)	(7,119,077)
Item not involving cash from operations:		
Depreciation	140,580	146,630
Amortization	708,648	259,645
Gain on cessation of significant influence (note 6)	(365,485)	-
Dilution loss (gain) on investment in associate	21,868	(197,410)
Share of loss of investment in associate	788,043	572,488
Share-based compensation	7,943,116	2,264,106
Loss on settlement of debt	-	160,622
Interest and accretion net	62,282	362,879
Government grant revenue	(60,140)	(89,238)
	(8,014,368)	(3,639,355)
Changes in non-cash working capital items		
Decrease in prepaid expenses	(473,977)	1,251
(Increase) in amounts receivable	(2,325,206)	(71,843)
Increase in accounts payable and accrued liabilities	117,925	1,246,174
	(10,695,626)	(2,463,773)
<b>INVESTING ACTIVITIES</b>		
Investment in associate Glow Lifetech Corp.	(600,000)	-
Acquisition of Cybeats Technologies Inc.	(500,000)	-
Purchase of property and equipment	(58,149)	-
	(1,158,149)	-
<b>FINANCING ACTIVITIES</b>		
Proceeds from private placement, net of issue costs	6,347,303	2,090,852
Net proceeds from issuance of convertible debenture	-	858,100
Proceeds from warrant exercise	8,086,287	-
Proceeds from options exercise	2,571,750	90,000
Proceeds from government loans	63,423	208,000
Share buyback (NCIB)	(342,760)	-
Net payments on leases	(81,196)	(99,317)
	16,644,807	3,147,635
<b>NET INCREASE IN CASH FOR THE PERIOD</b>	4,791,032	683,862
<b>CASH, beginning of period</b>	896,057	212,195
<b>CASH, end of period</b>	5,687,089	896,057



# SCRYB INC.

(Operating as Relay Medical Corp.)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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### 1. NATURE OF OPERATIONS

Scryb Inc., formerly Relay Medical Corp., (“the Company”) was incorporated in British Columbia and is a technology company that provides its platform to power businesses and technologies with applied intelligence, real-time analytics, and actionable insights headquartered in Toronto, Ontario. On January 31, 2017, the Company filed Articles of Amalgamation under the Business Corporations Act (Ontario), whereby the Company was amalgamated with ChroMedX to form an amalgamated corporation operating under the name of “Relay Medical Corp.” On December 8, 2021 the Company filed articles of amendment to change its name to Scryb Inc. All amounts herein reflect the financial effects of the amalgamation. The principal business address of the Company is 65 International Blvd., Suite 202, Toronto, Ontario, M9W 6L9.

### 2. BASIS OF PRESENTATION

#### Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The consolidated financial statements of the Company for the year for the year ended September 30, 2021 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on January 28, 2022.

#### Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Cybeat's Technologies Inc. (note 6), UX Data Sciences Corp., Osprey Device Networks Corp. and HemoPalm Corp. All significant intercompany balances and transactions have been eliminated on consolidation.

#### Subsidiaries

Subsidiaries are entities over which the Company has control. Control is defined as when the Company is exposed or has rights to the variable returns from the subsidiary and has the ability to affect those returns through its power over the subsidiary. Power is defined as existing rights that give the Company the ability to direct the relevant activities of the subsidiary. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases.

#### Non-controlling interests

A non-controlling interest is initially recognized as the proportionate share of the identifiable net assets of the subsidiary on the date of its acquisition and is subsequently adjusted for the noncontrolling interest’s share in changes of the acquired subsidiary’s earnings and capital. Effects of transactions with non-controlling interests are recorded in equity if there is no change in control

**SCRYB INC.**  
**(Operating as Relay Medical Corp.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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**Basis of Measurement**

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

**Functional and Presentation Currency**

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been applied consistently to all periods presented in these consolidated financial statements:

**(a) IMPAIRMENT**

At each financial position reporting date, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired at a cash generating unit level. If any such indication exists, the recoverable amount of the cash generating unit is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived. If the recoverable amount is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) 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 cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**(b) INTANGIBLE ASSETS**

The Company records intangible assets at fair value at the date of acquisition. An intangible asset is capitalized when the economic benefit associated with an asset is probable and when the cost can be measured reliably. Intangible assets are carried at cost less accumulated depreciation and impairment losses. Cost consists of expenditures directly attributable to the acquisition of the assets. Intangible assets with finite lives are amortized over the related benefit period. Those with indefinite lives are not amortized and are tested for impairment on an annual basis. The Company's intangible assets consist of patents, patent applications and research and development costs that are amortized over their five-year estimated useful life commencing with their utilization in revenue generating activities.

**SCRYB INC.**  
**(Operating as Relay Medical Corp.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**(c) RESEARCH AND DEVELOPMENT COSTS**

Costs associated with the development of the Company's products are capitalized where the following criteria are met:

- the technical feasibility of completing the intangible asset so it will be available for use or sale;
- its intention to complete and its ability to use or sell the assets;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably of the expenditure during development.

All research and development costs incurred by the Company were expensed in the year.

**(d) SHARE-BASED PAYMENTS**

The Company accounts for share-based payments using the fair value method. Under this method, employee stock options recognized as compensation expense are measured at fair value on the date of grant using the Black-Scholes option pricing model, and are recognized as an expense or capitalized, depending on the nature of the grant, with a corresponding increase in equity, over the period that the employees earn the options. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility.

For transactions with employees and others providing similar services, the Company measures the fair value of the services received by reference to the fair value of the services rendered. For transactions with parties other than employees, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. When the Company cannot estimate reliably the fair value of the goods or services received, it measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

**(e) FOREIGN CURRENCY TRANSLATION**

The Company's functional and presentation currency is the Canadian dollar. Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing date exchange rate, and non-monetary assets and liabilities at the historical rates. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in profit or loss.

**SCRYB INC.**

**(Operating as Relay Medical Corp.)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2021**

**(f) FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

Below is a summary showing the classification and measurement basis of financial instruments;

<b>Asset or Liability</b>	<b>Measurement</b>
Cash and funds held in trust	Fair value
Other receivables	Amortized cost
Convertible debentures	Amortized cost
Reclamation bonds	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Government loans	Amortized cost

*Financial assets*

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

(i) Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss. The Company's cash and cash equivalents are classified as financial assets measured at FVTPL.

(ii) Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at FVTPL: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest". The Company's reclamation bonds are classified as financial assets measured at amortized cost.

(iii) Fair Value through other comprehensive income

Investments recorded at fair value through other comprehensive income (FVTOCI) on initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to measure the investment at FVTOCI whereby changes in the investment's fair value (realized and unrealized) will be recognized permanently in OCI with no reclassification to profit or loss. The election is made on an investment-by-investment basis.

**SCRYB INC.**  
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*Financial liabilities*

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

(i) Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination. The Company's accounts payable and accrued liabilities do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

(ii) Financial liabilities recorded FVTPL

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

*Transaction costs*

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

*Subsequent measurement*

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

*Derecognition*

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

*Expected credit loss impairment model*

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's consolidated financial statements.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

**SCRYB INC.**  
**(Operating as Relay Medical Corp.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

*Financial instruments at fair value through profit and loss*

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 fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – valuation techniques based on 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 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash and funds held in trust are measured at fair value using Level 1 inputs.

As at September 30, 2021 and 2020, the fair value of the financial liabilities approximates the carrying value, due to the short-term nature of the instruments.

**(g) CASH**

Cash consists of deposits in banks and funds held in trust.

**(h) REVENUE RECOGNITION**

Product sales revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is recognized on a time-proportion basis using the effective interest method.

**(i) FUNDS HELD IN TRUST**

Funds held in trust consists of cash on hand, deposits in banks and funds held in trust by the Company's external legal counsel. Funds held in trust are not restricted and can be used for working capital purposes.

**SCRYB INC.**

**(Operating as Relay Medical Corp.)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2021**

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**(j) PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss in the period.

Amortization is calculated on a straight line basis at the following annual rates:

Laboratory and technical equipment	3 years
Office, furniture and equipment	3 years
Computer equipment	2 years

**(k) INCOME TAXES**

Income tax on profit or loss for the year comprises of current and deferred tax. Current tax is the expected tax paid or payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax paid or payable in respect of previous years.

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The effect on deferred income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of the enactment or substantive enactment of the change. Deferred tax assets and liabilities are presented separately except where there is a right of set off within fiscal jurisdictions.

**(l) BASIC AND DILUTED INCOME (LOSS) PER SHARE**

Basic income (loss) per share has been calculated using the weighted average number of common shares outstanding during the year. Diluted income (loss) per share has been calculated using the weighted average number of common shares that would have been outstanding during the respective period had all of the stock options and warrants outstanding at year end having a dilutive effect been converted into shares at the beginning of the year and the proceeds used to repurchase the Company's common shares at the average market price for the year. If these computations prove to be antidilutive, diluted income (loss) per share is the same as basic income (loss) per share.

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**(m) COMPREHENSIVE INCOME (LOSS)**

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. Income or loss from an investment in associate is included in other comprehensive income (loss). Accumulated other comprehensive income (net of income taxes) is included on the consolidated statements of financial position as a component of common shareholders' equity.

**(n) INVESTMENT IN ASSOCIATES**

Investment in associate is accounted for using the equity method based on the Company's ability to exercise significant influence over the operating and financial policies of the investee.

Investments of this nature are recorded at original cost and adjusted periodically to recognize the Company's proportionate share of the associate's net income or losses after the date of investment, additional contributions made and dividends received. Investments are written down when there has been a significant or prolonged decline in fair value.

**(o) LEASES**

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for leases of low value assets and leases with a duration of twelve months or less. Lease liabilities are measured at the present value of the contractual payments due to the lessor over the term of the lease with the discount rate determined by using the incremental borrowing rate on commencement of the lease. Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the remaining lease term.

**4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of these consolidated financial statements in conformity with IFRS requires that management make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the interim non-consolidated financial statements. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

**(i) Critical accounting estimates**

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:



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*Share based payments and warrants*

The fair value of stock options and warrants issued are subject to the limitation of the Black Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

*Useful life of intangible assets*

Management has exercised their judgment in determining the useful life of its patents, patent applications, intellectual property, and research and development costs. The estimate is based on the expected period of benefit of the patent and the expected life of the product in the market place.

(ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are, but are not limited to, the following:

*Determination of functional currency*

In accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, management has determined that the functional currency of the Company is the Canadian dollar.

*Evaluation of going concern*

The preparation of the consolidated financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 1.

*Impairment of intangible assets*

Management has exercised their judgment in determining if the patents are impaired. The judgment is based on the expected future benefit of the intangible assets and intellectual property.

*Income taxes*

Management has exercised their judgment in determining the provision for future income taxes. The judgment is based on the Company's current understanding of the tax law as it relates to the transactions and activities entered into by the Company.

*Acquisition of an asset or business combination*

In accordance with IFRS 3, management has exercised their judgment in determining the acquisition of Cybeats Technologies Inc. was considered an asset acquisition as it did not meet the definition of a business.

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**5. OTHER RECEIVABLES**

As at September 30, 2021 and 2020, other receivables were comprised of the following:

	2021	2020
	\$	\$
HST receivable	587,738	185,477
Subscription receivables	-	381,212
Due from Fionet Rapid Response Group	1,469,464	6,779
Due from Glow Lifetech Ltd.	74,620	7,600
Other receivables	776,053	1,601
	<u>2,907,875</u>	<u>582,669</u>

**6. INVESTMENT IN ASSOCIATE**

Fionet Rapid Response Group:

On August 19, 2020, Scryb announced the establishment of a joint venture ("JV") with Fio Corporation ("Fio") to accelerate adoption and delivery of Fio's proven data-and-device platform, Fionet, as a COVID-19 pandemic testing, data collection and reporting solution. The JV will operate under the name "Fionet Rapid Response Group" and be headquartered in Toronto, Canada. Scryb and Fionet Rapid Response Group previously announced the signing of a Memorandum of Understanding May 15, 2020. The Fionet Rapid Response Group will enable mass distributed testing and automated aggregation, triage, and tracking to contain COVID-19, for deployment by public health agencies, retail health providers and private sector companies in Canada, the United States, Europe, Africa, and elsewhere.

On December 22, 2020, Fionet Rapid Response Group ("FRR") was incorporated in Ontario. As part of the Joint Venture agreement Scryb was to invest \$1,500,000 into FRR through the provision of consulting services with another \$500,000 to be given in the form of a repayable loan. With this investment Scryb is entitled to receive a 33% royalty on all FRR revenue related to individual testing and a 20% royalty on all FRR revenue related to FRR platform solutions. In addition to the revenue royalty, Scryb also owns 33% of the FRR while Fio owns the remaining balance. Scryb recognized an investment in associate, as a result of the Company's ability to significantly influence FRR. The investment in associate has been initially valued and recognized at its cost of \$1,500,000 less the Company's share of markup on certain consulting services provided of \$57,114.

A summary of the Company's investment in FRR is as follows:

	<b>September 30, 2021</b>
	\$
Initial investment	1,442,886
Share of equity loss	(647,397)
	<u>795,489</u>

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Glow Lifetech Corp. (formerly Glow Lifetech Ltd.):

During the September 30, 2020 fiscal year, Glow Lifetech Ltd. (Glow Ltd.) completed a series of private placements for gross proceeds of \$2,411,115 through the issuance of 12,120,000 common shares at a price of \$0.20 per share. In connection with these private placements, as of September 30, 2020, Scryb's ownership in Glow Ltd. was further diluted down to 22.2% (September 30, 2019 – 39.1%). As a result, a dilution gain on investment in associate was recognized in the statement of loss and comprehensive loss for the year ended September 30, 2020 totaling \$197,410 (September 30, 2019 - \$nil).

During the three months ended December 31, 2020, Glow Ltd. completed a private placement for gross proceeds of \$285,000 through the issuance of 1,425,000 common shares.

On February 9, 2021, the Company acquired 2,000,000 common shares of Glow Ltd. at a price of \$0.30 per share for a total investment of \$600,000.

On March 3, 2021, Glow Ltd. completed its previously announced reverse takeover of Ateba Resources Inc. ("Ateba"), an inactive company, pursuant to the terms of a Business Combination Agreement. The reverse takeover transaction was completed by way of a three-cornered amalgamation between Glow Ltd. and Ateba whereby Ateba acquired all of the issued and outstanding shares of Glow Ltd. in exchange for 47,334,379 common shares of Ateba, resulting in Glow Ltd. becoming a wholly-owned subsidiary of the Ateba.

In connection with the reverse takeover transaction, Glow Ltd. completed a non-brokered private placement financing of 17,138,432 units of Glow Ltd. at a price of \$0.30 per unit for gross proceeds of \$5,141,530. Each unit was comprised of one common share in the capital of Glow Ltd. and one-half of one whole common share purchase warrant, with each warrant exercisable at a price of \$0.40 per common share for a period of two years from the date of issuance. On February 9, 2021, the Company acquired 2,000,000 units of Glow Ltd. at a price of \$0.30 per unit for a total investment of \$600,000.

Prior to the completion of the reverse takeover transaction Ateba changed its name to Glow Lifetech Corp. ("Glow Corp."). Upon completion of the reverse takeover transaction the common shares of Glow Corp. became listed on the Canadian Stock Exchange under the symbol "GLOW".

On September 30, 2021 the Company held 8,250,000 common shares of Glow Corp. or 14.57% of the issued and outstanding common shares.

Prior to March 3, 2021, Scryb valued its investment in Glow Corp. (formerly Glow Ltd.) using the equity method. As a result of the dilution of the Company's holdings of Glow Corp. to 14.57% (September 30, 2020 - 22.2%) and Managements assessment that its significant influence over the operating and financial policy decisions of Glow Corp. ceased on March 3, 2021, the Company recorded a dilution loss of \$21,868 and adopted the fair value method of accounting for its investment in Glow Corp. effective March 3, 2021

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Scryb's investment in Glow Corp. has been valued at \$0.19 per common share which was the listed price per share at September 30, 2021.

	<b>September 30, 2021</b>	<b>September 30, 2020</b>
	\$	\$
Opening balance	764,529	1,139,607
Purchase of common shares	600,000	-
Dilution (loss) gain	(21,868)	197,410
Share of equity loss	(140,646)	(495,810)
Elimination of intercompany transactions	-	(76,678)
Fair value gain	365,485	-
	<b>1,567,500</b>	<b>764,529</b>

**7. PROPERTY PLANT AND EQUIPMENT**

	<b>Laboratory equipment</b>	<b>Office furniture &amp; equipment</b>	<b>Computer equipment</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Cost</b>				
As at October 1, 2019	76,647	67,996	2,879	147,522
Additions	-	-	-	-
<b>As at September 30, 2020</b>	<b>76,647</b>	<b>67,996</b>	<b>2,879</b>	<b>147,522</b>
Additions	-	24,479	14,789	39,268
<b>As at September 30, 2021</b>	<b>76,647</b>	<b>92,475</b>	<b>17,668</b>	<b>186,790</b>
<b>Accumulated amortization</b>				
As at October 1, 2019	15,015	17,659	1,179	33,853
Amortization for the period	25,549	22,665	1,440	49,654
<b>As at September 30, 2020</b>	<b>40,564</b>	<b>40,324</b>	<b>2,619</b>	<b>83,507</b>
Amortization for the period	7,217	37,967	7,224	52,408
<b>As at September 30, 2021</b>	<b>47,781</b>	<b>78,291</b>	<b>9,843</b>	<b>135,915</b>
<b>Net book value</b>				
As at October 1, 2019	61,632	50,337	1,700	113,669
<b>As at September 30, 2020</b>	<b>36,083</b>	<b>27,672</b>	<b>260</b>	<b>64,015</b>
<b>As at September 30, 2021</b>	<b>28,866</b>	<b>14,184</b>	<b>7,825</b>	<b>50,875</b>

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**8. RIGHT OF USE ASSETS**

Right-of-use assets consist of the lease for the Company's office and laboratory and are amortized over a period of 74 months.

	<b>2021</b>	<b>2020</b>
	\$	\$
Opening balance	396,785	493,761
Depreciation	(97,133)	(96,976)
<b>Ending balance</b>	<b>299,652</b>	<b>396,785</b>

**9. INTANGIBLES**

The following is a summary of patents as at September 30, 2021 and 2020:

	<b>Patents</b>	<b>Software license</b>	<b>Intellectual property</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Balance, September 30, 2019</b>	<b>243,645</b>	<b>76,000</b>	-	<b>319,645</b>
Amortization	(243,645)	(16,000)	-	(259,645)
<b>Balance, September 30, 2020</b>	-	<b>60,000</b>	-	<b>60,000</b>
Additions	-	-	6,836,857	6,836,857
Amortization	-	(16,010)	(683,686)	(699,696)
<b>Balance, September 30, 2021</b>	-	<b>43,990</b>	<b>6,153,171</b>	<b>6,197,161</b>

**10. ACQUISITIONS**

On March 18, 2021, the Company acquired all the issued and outstanding shares of Cybeats Technologies Inc. ("Cybeats") pursuant to the Share Exchange Agreement signed March 2, 2021. The acquired business was purchased for \$7,180,000, paid by the issuance of 10,950,819 common shares, valued at \$0.61 per share and \$500,000 in cash. As Cybeats did not meet the definition of a business per IFRS 3, the acquisition has been accounted for as an asset acquisition, whereby Scryb is considered to issue shares in return for the net assets of Cybeats at their fair value as follows;

Intellectual property represents technologies developed by Cybeats.

<b>Net assets acquired</b>	
	\$
Receivables and prepaids	331,862
Property, plant and equipment	9,985
Accounts payable	1,296
Intellectual property	6,836,857
	<b>7,180,000</b>

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**11. LEASE LIABILITY**

On September 1, 2017 the Company entered into a 36 month lease agreement to lease office and laboratory facilities. On July 15, 2019 the Company entered into a sub lease agreement to lease this space to a third party for the remainder of the original term, ending August 30, 2020. As of September 30, 2020, the lease and sub lease payments were fully paid down, and the premises were vacated.

On November 1, 2018, the Company entered into a 60 month lease to lease office and laboratory facilities. The lease payments are \$5,540 per month from the commencement date of the lease.

	Office & laboratory lease	Office lease	Total
	\$	\$	\$
Balance, September 30, 2019	490,181	42,767	532,948
Interest payments	70,767	2,706	73,473
Lease payments	(88,294)	(45,473)	(133,767)
<b>Balance, September 30, 2020</b>	<b>472,654</b>	<b>-</b>	<b>472,654</b>
Interest payments	62,282	-	62,282
Lease payments	(152,006)	-	(152,006)
<b>Balance, September 30, 2021</b>	<b>382,930</b>	<b>-</b>	<b>382,930</b>

The Company has recorded these leases as right-of-use assets (note 8) and lease liability in the statement of financial position as at September 30, 2021 and 2020. At the commencement date of the lease, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 15%, which was the Company's incremental borrowing rate.

**Maturity Analysis - Contractual Undiscounted Cash Flows**

As of	September 30, 2021	September 30, 2020
	\$	\$
Less than one year	147,655	152,006
Greater than one year	327,721	475,376
<b>Total undiscounted lease obligation</b>	<b>475,376</b>	<b>627,382</b>

The continuity of the lease liability as at September 30, 2021 is presented in the table below:

	Under 1 year	Between 1-2 years	Between 2-3 years	Over 3 years	Total
	\$	\$	\$	\$	\$
Office lease	147,655	158,459	155,082	14,180	475,376

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**12. RECLAMATION BONDS**

The Company holds reclamation bonds with the Alberta Energy Regulator as required by section 1.100(2) of the Oil and Gas Conservation Regulations and Directive 006: License Liability Rating Program and License Transfer Process. The reclamation bonds are held for the purposes of the future well abandonment, related to the business of the Company prior to the reverse takeover transaction. The Company has performed all requested remediation work at the site and is currently engaged with the regulator for the return of these funds to the Company.

**13. CONVERTIBLE DEBENTURES**

On January 29, 2020, the Company completed a financing of \$945,000 through the issuance of secured convertible debentures (the "Debentures"). On December 31, 2020, the \$945,000 principal of the 10% convertible debentures were converted into common shares of the Company. The debentures were converted into 5,250,000 common shares of the Company at a conversion price of \$0.18 per common share.

**14. GOVERNMENT LOANS**

Canadian Emergency Business Account ("CEBA") Loan:

The Company applied for and received a CEBA loan for amounts totaling \$60,000. The CEBA loan was implemented by the Government of Canada to provide relief measures to small businesses adversely effected by COVID-19. Under the terms of the CEBA loan, proceeds received are interest free up until December 31, 2022. If a minimum of 66.7% of the principal balance is repaid on or prior to, December 31, 2022, the remaining 33.3% shall be forgiven. On January 12, 2022, the Government of Canada announced that the repayment deadline of December 31, 2022 for CEBA loans to qualify for for the 33.3% forgiveness is being extended to December 31, 2023, for all eligible borrowers in good standing.

The Company has identified that they do not qualify for the CEBA loan and as a result, the Company has not recognized any grant revenue or interest benefit in the statement of loss and comprehensive loss in connection with this loan.

Regional Relief and Recovery Fund ("RRRF") Loan:

On November 27, 2020 the Company applied for and received a RRRF loan for amounts totaling \$103,563 (September 30, 2020 - \$168,000). The RRRF loan was implemented by the Government of Canada to provide financial relief measures to small businesses in Southern Ontario adversely effected by COVID-19. Under the terms of the RRRF loan, proceeds received are interest free and repayable in sixty (60) equal monthly payments, commencing on January 15, 2020.

In connection with the interest free term on the loan, the interest benefit has been valued at \$52,609 (September 30, 2020 - \$89,238) based on a fair market interest rate of 16.5% (September 30, 2020 - 16.5%). As of September 30, 2021, the Company has incurred the maximum amount of eligible expenses resulting in amounts totaling \$52,609 (September 30, 2020 - \$89,238) recognized as government grant revenue in the statement of loss and comprehensive loss

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The continuity of the government loans as at September 30, 2021 is presented in the table below:

<b>September 30, 2021</b>	
	\$
Proceeds from government loans	103,563
Interest benefit	(50,954)
<b>Fair value of government loans</b>	<b>52,609</b>
<b>Balance - October 1, 2020</b>	<b>119,296</b>
Proceeds from government loan	52,609
Accretion	10,814
<b>Balance, September 30, 2021</b>	<b>182,719</b>
Current	60,000
Non-current	122,719
<b>Balance, September 30, 2021</b>	<b>182,719</b>

**15. CAPITAL STOCK**

**(a) Common shares**

**Authorized**

The authorized capital stock of the Company consists of an unlimited number of common shares.

**Issued and Outstanding**

	Number
<b>Balance - September 30, 2019</b>	<b>124,880,164</b>
Shares issued on financing	13,737,866
Shares issued on exercise of stock options	650,000
Shares issued in settlement of debt	7,148,797
<b>Balance - September 30, 2020</b>	<b>146,416,827</b>
Shares issued on financing (i)	42,862,500
Shares issued on convertible debentures (ii)	5,250,000
Shares issued on the exercise of stock options (iii)	10,538,000
Shares issued on the exercise of warrants (iv)	26,230,003
Shares issued on acquisition of Cybeats (v)	10,950,819
Shares issued in settlement of debt (vi)	588,524
Shares repurchased under NCIB (vii)	(1,558,000)
<b>Balance - September 30, 2021</b>	<b>241,278,673</b>

- (i) On January 22, 2021, the Company closed a non-brokered private placement financing for gross proceeds of \$8,572,500 through the issuance of 42,862,500 Units (each "Unit") at a price of \$0.20 per unit. Each Unit is comprised of: (i) one common share in the capital of the Company (each a "Common Share"); (ii) one Common Share purchase warrant (each, a "Warrant"). Each whole Warrant entitles the holder to purchase one additional Common Share at an exercise price of \$0.30 on or before 18 months from the date of issuance;



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- (ii) On December 22, 2020, 5,250,000 common shares were issued in connection with the converting of the convertible debenture of \$945,000 for the price of \$0.18 per share
- (iii) During the year-ended September 30, 2021, 10,538,000 common shares were issued in connection with the exercise of 10,538,000 stock options at an exercise price of \$0.24 for gross proceeds of \$2,571,750;
- (iv) During the year-ended September 30, 2021, 26,230,003 common shares were issued in connection with the exercise of 26,230,003 warrants at an exercise price of \$0.29 for gross proceeds of \$8,086,287;
- (v) On March 18, 2021, the Company acquired all the issued and outstanding shares of Cybeats Technologies Inc. pursuant to the Share Exchange Agreement signed March 2, 2021. The acquired business was purchased for \$7,180,000, paid by the issuance of 10,950,819 common shares, valued at \$0.61 per share and \$500,000 in cash;
- (vi) On April 9, 2021, 588,524 common shares were issued in connection with the settlement of debt, issued at a price of \$0.61 to settle amounts owing of \$359,000;
- (vii) The Company purchased 1,588,000 common shares under the Normal-Course Issuer Bid ("NCIB") stock buyback program used by companies listed in Canada for total costs of \$342,760. These shares have been returned to treasury and cancelled;

**(b) Stock option plan and share-based compensation**

The Company has a stock option plan under which it is authorized to grant options to directors, employees and consultants enabling them to acquire up to 20% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option equals the market price, minimum price, or a discounted price of the Company's shares as calculated on the date of grant. The options can be granted for a maximum term of 10 years.

The following table summarizes activity within the Company's stock option plan during the year:

	Number of Options Outstanding	Black-Scholes Value	Weighted Average Exercise Price
		\$	\$
<b>Balance September 30, 2019</b>	<b>15,859,500</b>	<b>3,169,858</b>	<b>0.25</b>
Granted	14,800,000	2,298,732	0.20
Exercised	(650,000)	(91,347)	0.18
Expired	(550,000)	(144,258)	0.35
Forfeited	(3,818,000)	(862,419)	0.28
<b>Balance September 30, 2020</b>	<b>25,641,500</b>	<b>4,370,566</b>	<b>0.22</b>
Granted	24,100,000	7,943,116	0.33
Exercised	(10,538,000)	(583,021)	0.24
Corrections	(352,000)	(17,571)	0.05
<b>Balance September 30, 2021</b>	<b>38,851,500</b>	<b>11,713,090</b>	<b>0.29</b>

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During the year ended September 30, 2021 a total of 10,538,000 grants were exercised into common shares of the Company at an average weighted price of \$0.24 per share. The fair value of the options exercised was \$583,021.

On December 18, 2020, the Company announced that it has granted an aggregate of 4,600,000 options to purchase common shares of the Company with an estimated fair value of \$968,625 exercisable at a price of \$0.225 per common share, vesting immediately and expiring on December 18, 2025, to certain directors, employees, officers, and consultants of the Company.

On January 8, 2021, the Company announced that it has granted an aggregate of 1,000,000 options to purchase common shares of the Company with an estimated fair value of \$285,001 exercisable at a price of \$0.305 per common share, vesting immediately and expiring on January 8, 2026, to certain directors, employees, officers and consultants of the Company.

On January 22, 2021, the Company announced that it has granted an aggregate of 3,000,000 options to purchase common shares of the Company with an estimated fair value of \$939,430 exercisable at a price of \$0.335 per common share, vesting immediately and expiring on January 22, 2026, to certain directors, employees, officers and consultants of the Company.

On March 3, 2021, the Company announced that it has granted an aggregate of 4,000,000 options to purchase common shares of the Company with an estimated fair value of \$2,921,548 exercisable at a price of \$0.74 per common share, vesting immediately and expiring on March 3, 2026, to certain directors, employees, officers and consultants of the Company.

On April 26, 2021, the Company granted an aggregate of 1,500,000 options to purchase common shares of the Company with an estimated fair value of \$580,237 exercisable at a price of \$0.50 per common share, vesting immediately and expiring on April 26, 2026 to certain directors, employees, officers and consultants of the Company.

On July 22, 2021, the Company granted an aggregate of 6,000,000 options to purchase common shares of the Company with an estimated fair value of \$1,346,487 exercisable at a price of \$0.22 per common share, vesting immediately and expiring on July 22, 2026 to certain directors, employees, officers and consultants of the Company.

On August 4, 2021, the Company granted an aggregate of 2,500,000 options to purchase common shares of the Company with an estimated fair value of \$580,237 exercisable at a price of \$0.50 per common share, vesting immediately and expiring on April 26, 2026 to certain directors, employees, officers and consultants of the Company.

On September 8, 2021, the Company granted an aggregate of 500,000 options to purchase common shares of the Company with an estimated fair value of \$115,576 exercisable at a price of \$0.235 per common share, vesting immediately and expiring on September 8, 2026 to certain directors, employees, officers and consultants of the Company.

On September 17, 2021, the Company granted an aggregate of 500,000 options to purchase common shares of the Company with an estimated fair value of \$72,738 exercisable at a price of \$0.245 per common share, vesting immediately and expiring on September 17, 2026 to certain directors, employees, officers and consultants of the Company.

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On September 21, 2021, the Company granted an aggregate of 500,000 options to purchase common shares of the Company with an estimated fair value of \$133,237 exercisable at a price of \$0.27 per common share, vesting immediately and expiring on September 21, 2026 to certain directors, employees, officers and consultants of the Company.

The following common share purchase options are outstanding at September 30, 2021:

Date of Grant	Number of Options Outstanding	Exercise Price (\$)	Weighted Average Remaining Life (years)	Expiry Date	Number of Options Exercisable
October 24, 2016	500,000	0.150	0.07	October 24, 2021	500,000
June 19, 2017	740,000	0.300	0.72	June 19, 2022	740,000
November 20, 2017	1,612,000	0.270	0.72	November 20, 2022	1,612,000
June 20, 2018	1,094,500	0.270	1.72	June 20, 20238	1,094,500
September 12, 2019	2,625,000	0.200	1.95	September 12, 2024	2,625,000
February 18, 2020	5,680,000	0.200	3.39	February 18, 2025	5,680,000
August 18, 2020	3,700,000	0.205	3.88	August 18, 2025	3,700,000
August 26, 2020	750,000	0.230	3.91	August 26, 2020	750,000
December 18, 2020	2,900,000	0.225	4.22	December 18, 2020	2,900,000
January 8, 2021	1,000,000	0.305	4.28	January 8, 2021	1,000,000
January 22, 2021	2,750,000	0.335	4.32	January 22, 2021	2,750,000
March 3, 2021	4,000,000	0.740	4.42	March 3, 2021	4,000,000
April 26, 2021	1,500,000	0.390	4.57	April 26, 2021	1,500,000
July 22, 2021	6,000,000	0.250	4.81	July 22, 2021	6,000,000
August 4, 2021	2,500,000	0.250	4.85	August 4, 2021	2,500,000
September 8, 2021	500,000	0.250	4.94	September 8, 2021	500,000
September 17, 2021	500,000	0.250	4.97	September 17, 2021	500,000
September 21, 2021	500,000	0.270	4.98	September 21, 2021	500,000
	<b>38,851,500</b>	<b>0.290</b>	<b>3.77</b>		<b>38,851,500</b>

Share based compensation during the September 30, 2021 fiscal year totaled \$7,943,116 (2020 - \$2,264,106).

The fair value of options granted during the period ended June 30, 2021 was estimated at the date of grant using a Black Scholes Option Pricing Model with the following assumptions.

	April 26 2021	March 3 2021	January 22 2021	January 8 2021
Share price	\$ 0.39	\$ 0.74	\$ 0.335	\$ 0.305
Risk free interest rate	0.49%	0.70%	0.44%	0.44%
Expected life of options	5 years	5 years	5 years	5 years
Annualized volatility	102%	105%	102%	102%
Dividend rate	Nil	Nil	Nil	Nil
Forfeiture rate	0%	0%	0%	0%

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**(c) Warrants**

The following table summarizes warrants that have been issued, exercised or have expired during the period ended September 30, 2021:

	Number of Warrants Outstanding	Black-Scholes Value	Weighted Average Exercise Price
		\$	\$
<b>Balance September 30, 2019</b>	27,958,795	2,014,760	0.35
Granted	19,578,711	1,386,109	0.20
Expired	(10,053,795)	(897,096)	0.44
<b>Balance September 30, 2020</b>	<b>37,483,711</b>	<b>2,503,773</b>	<b>0.25</b>
Granted	46,094,824	3,921,697	0.29
Exercised	(26,230,003)	(826,553)	0.29
Expired	(1,124,723)	(146,295)	0.30
<b>Balance September 30, 2021</b>	<b>56,223,809</b>	<b>5,452,622</b>	<b>0.29</b>

The fair value of warrants granted during the year ended September 30, 2021 was estimated at the date of grant using a Black Scholes Option Pricing Model with the following assumption:

<b>Investor and Broker Warrants February 2021</b>	
Share price	\$0.30
Risk-free interest rate	0.15%
Time to maturity	1.5
Annualized volatility	71%
Dividend yield	Nil

The fair value of warrants granted during the year ended September 30, 2020 was estimated at the date of grant using a Black Scholes Option Pricing Model with the following assumptions:

	<b>Investor and Broker Warrants May 2020</b>	<b>September 2020</b>
Share price	\$ 0.235	\$ 0.255
Risk-free interest rate	0.28%	2.60%
Time to maturity	2 years	2 years
Annualized volatility	80%	73%
Dividend yield	Nil	Nil

As at September 30, 2021 there were 56,223,809 (September 30, 2020 - 37,483,711) warrants outstanding.

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**16. INCOME TAXES**

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

	September 30, 2021	September 30, 2020
	\$	\$
Net loss before income taxes	(17,253,280)	(7,119,077)
Combined Canadian federal and provincial tax rate	26.5%	26.5%
Expected income tax recovery at statutory tax rates	(4,572,119)	(1,886,555)
Share-based compensation and non-deductible expenses	2,114,945	708,493
Convertible debentures	-	60,944
Other	130,356	(13,377)
Change in unrecognized deferred tax assets	2,326,818	1,130,495
<b>Provision for income tax</b>	<b>-</b>	<b>-</b>

Significant components of deductible and taxable temporary differences, unused tax losses and unused tax credits that have not been included on the statement of financial position are as follows:

	September 30, 2021	September 30, 2020
	\$	\$
Exploration and evaluation assets	2,608,354	2,608,354
Share issuance costs	88,177	116,087
Intangible assets	3,909,413	4,340,337
Non-capital losses	25,730,369	17,224,449
Other	-	162,749
	<b>32,336,313</b>	<b>24,451,976</b>

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits there from. Non-capital loss carry forwards expire as rated in the table below. Share issue costs will be fully amortized in 2025. The remaining deductible temporary differences may be carried forward indefinitely.

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As at September 30, 2021 the Company has non-capital losses of \$25,730,369 that can be used to reduce future taxable income. These losses expire as follows:

	\$
2034	305,339
2035	1,396,730
2036	940,885
2037	1,897,406
2038	4,231,668
2039	4,693,838
2040	3,758,583
2041	8,505,920
	<u>25,730,369</u>

**17. RELATED PARTY TRANSACTIONS**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors, Corporate Officers and Vice Presidents.

During the year ended September 30, 2021, \$87,714 (2020 - \$78,217) was due to key management and companies controlled by or related to key management. Remuneration of key management of the Company was as follows:

	September 30, 2021	September 30, 2020
	\$	\$
Share based compensation	1,156,558	1,135,209
Consulting and management fees	2,022,232	1,568,143
	<b>3,178,790</b>	<b>2,703,352</b>

At September 30, 2021, the following intercompany balances were outstanding:

	September 30, 2021	September 30, 2020
	\$	\$
Due from Glow LifeTech Corp.	74,620	17,900
Demand Loan receivable (note 6)	536,646	6,779
Advances to Fionet Rapid Response Group (note 6)	932,818	-
	<b>1,544,084</b>	<b>24,679</b>

The demand loan receivable is due from Fionet Rapid Response Group and the demand loan bears interest at the annual rate of 8% with no fixed terms of repayment.

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**18. FINANCIAL RISK FACTORS**

The Company manages its exposure to a number of different financial risks arising from its operations as well as its use of financial instruments including market risks, credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility.

Financial risks are primarily managed and monitored through operating and financing activities and, if required. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and up-to-date market information.

The Company's financial instruments primarily consist of cash, other receivables, reclamation bonds, accounts payable and accrued liabilities, government loans. The fair value of the Company's other receivables, accounts payable and accrued liabilities, and government loans approximate their carrying value, due to their short-term maturities or ability of prompt liquidation.

The Company's cash is recorded at fair value, under the fair value hierarchy, based on level one quoted prices in active markets for identical assets of liabilities. The Company's other receivables, reclamation bonds, accounts payable and accrued liabilities, government loans are measured at amortized cost.

The Company is exposed in varying degrees to a variety of financial instrument related risks.

**Market Risk**

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis.

(i) **Interest Rate Risk**

The Company has cash balances and is not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company monitors the credit worthiness of the debtor and is satisfied with the debtor's ability to repay the amount owing.

(ii) **Foreign currency risk**

As at September 30, 2021 the Company's expenditures are predominantly in Canadian dollars, and any future equity raised is expected to be predominantly in Canadian dollars and therefore is not at a significant risk to fluctuating exchange risks.

**Liquidity Risk**

Liquidity risk encompasses the risk that a company cannot meet its financial obligations in full. The Company's main source of liquidity is derived from its common stock issuances. These funds

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are primarily used to finance working capital, operating expenses, capital expenditures, and acquisitions.

The Company manages its liquidity risk by regularly monitoring its cash flows from operating activities and holding adequate amounts of cash and cash equivalents. As at September 30, 2021 the Company held cash in banks and cash in trust of \$5,687,089 (September 30, 2020 - \$896,057) to settle current liabilities of \$793,526 (September 30, 2020 - \$1,517,017).

**Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash. The Company has reduced its credit risk by investing its cash in trust with Canadian chartered banks.

**19. CAPITAL MANAGEMENT**

Due to the development stage of the Company and its reliance on equity funding at this time, the Company defines capital as its common stock. As at September 30, 2021 the Company's capital stock was \$44,913,345 (September 30, 2020 - \$21,963,267).

There were no changes in the Company's approach to capital management during the year ended September 30, 2021 and the Company is not subject to any externally imposed capital requirements. Management has no expectations that it will raise debt in the coming year. The Company's objectives when managing capital are:

- (a) To safeguard the Company's financial capacity and liquidity for future earnings in order to continue to provide an appropriate return to shareholders and other stakeholders;
- (b) To maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk; and
- (c) To enable the Company to maximize growth by meeting its capital expenditure budget, to expand its budget to accelerate projects, and to take advantage of acquisition opportunities.

The Company regularly monitors and reviews the amount of capital in proportion to risk and future opportunities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

**20. BASIC AND DILUTED LOSS PER SHARE**

Basic loss per share has been calculated by dividing the net loss per the financial statements by the weighted average number of shares outstanding during the year. The fully diluted loss per share would be calculated using a common share balance increased by the number of common shares that could be issued on the exercise of outstanding warrants and options of the Company. As the Company is in a loss position for three and nine months ended September 30, 2021 and 2020, this would be anti-dilutive.