

Consolidated Financial Statements

ScreenPro Security Inc.

For the year ended December 31, 2022

(Expressed in Canadian dollars)



SHIM & Associates LLP
Chartered Professional Accountants
Suite 970 – 777 Hornby Street
Vancouver, B.C. V6Z 1S4
T: 604 559 3511 | F: 604 559 3501

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ScreenPro Security Inc.

Opinion

We have audited the accompanying consolidated financial statements of ScreenPro Security Inc. (the “Company”), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholders’ equity and cash flows for the year ended December 31, 2022 and the thirteen months ended December 31, 2021 and notes to the consolidated 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 December 31, 2022 and 2021, and its consolidated financial performance and cash flows for the year ended December 31, 2022 and the thirteen months ended December 31, 2021 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained 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 financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. 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.

Impairment assessment of intangible assets and goodwill

As at December 31, 2022, the Company had finite-lived intangible assets of \$0.58 million and goodwill of \$2.7 million.

Intangible assets with finite lives are assessed for any indications of impairment at the end of each reporting period. No indicators of impairment were identified for the intangible assets related to the GoStop cash generating unit (“CGU”) and AddBio CGU for the year ended December 31, 2022.

Goodwill is assessed for impairment annually, or more frequently if events and circumstances indicate that the carrying amount may be impaired. Management has performed its annual impairment test as at December 31, 2022. Management determined that the CGU for the purpose of testing impairment of goodwill is within the Company’s subsidiary, Concierge Medical Consultant Inc. and NatureVan Nutrition Ltd. The recoverable amount of the Concierge CGU and NatureVan CGU was based on value in use using a discounted cash flow model. The significant assumptions applied by management in determining value in use included the revenue projections, a revenue growth rate and a discount rate. The recoverable amount of the Concierge CGU and NatureVan CGU exceeded its carrying amount and accordingly, no impairment was recognized.

We considered this a key audit matter due to the judgment by management in determining the recoverable amounts, including the use of significant assumptions. This, in turn, led to a high degree of subjectivity and audit effort in performing procedures to test the significant assumptions.

Evaluating how management determined the recoverable amounts of the GoStop CGU, AddBio CGU, Concierge CGU and NatureVan CGU, which included the following procedures:

- Reviewed management's assessment of the indicators of impairment with respect to finite-lived intangible assets.
- Tested the appropriateness of the value in use methods used and the mathematical accuracy of the discounted cash flow models.
- Tested the reasonableness of the estimated cash flows by considering historical performance of the Company and the budget approved by management.
- Tested the reasonableness of the terminal growth rates and forecasted growth rates of sales applied by management in the discounted cash flow model by comparing to past performance and external market data.
- Tested the underlying data used in the discounted cash flow models.
- Tested the reasonableness of the discount rates applied by management based on historic discount rates applied and or available data for comparable companies.

Accounting for the acquisition of Add Biomedical Inc. and NatureVan Nutrition Ltd.

During the year, the Company completed the acquisition of the following companies:

- Add Biomedical Inc., by issuing common shares with a fair value of \$2.8 million and warrants with a fair value of \$0.6 million as consideration.
- NatureVan Nutrition Ltd., by paying cash of \$0.7 million, issuing common shares with a fair value of \$1.4 million and warrants with a fair value of \$0.3 million as consideration.

In relation to the acquisition of Add Biomedical Inc., management determined that the acquisition met the definition and criteria to be classified as an asset acquisition of intangible assets consisting of developed technology. Accordingly, under IFRS 2, the Company measured the intangible assets received at its fair value of \$0.6 million based on an external valuation. The difference between the fair value of the common shares and warrants recognized of \$3.0 million and the fair value attributed to the identifiable cash and cash equivalents and intangible assets of \$1.7 million did not meet the criteria for recognition as an asset and consisted of unidentifiable goods or services, which were recognized at \$1.3 million in profit or loss.

In relation to the acquisition of NatureVan Nutrition Ltd., management determined that the acquisition met the definition and criteria to be classified as a business combination. Accordingly, under IFRS 3, the Company measured the assets acquired and liabilities assumed at their estimated fair values. The difference between the fair value of cash, common shares and warrants recognized of \$2.4 million and the fair value attributed to the identifiable net assets assumed resulted in goodwill of \$2.1 million.

We considered this a key audit matter due to the judgment applied by management in evaluating whether the acquisition constituted a business combination under IFRS 3 or an asset acquisition under IFRS 2. Management also applied judgment in assessing the completeness of identifiable assets and liabilities acquired and assumed including the unidentifiable goods and services. We also considered this a key audit matter due to the estimates applied by management in determining fair value of the identifiable assets acquired and liabilities assumed, including the use of significant assumptions. These considerations led to a high degree of subjectivity and audit effort in performing procedures to evaluate the judgments and test the significant assumptions.

Evaluating the judgments and estimates made by management in accounting for the acquisition of Add Biomedical Inc. and NatureVan Nutrition Ltd., which included the following procedures:

- Reviewed the share purchase agreements to obtain an understanding of the key terms and structure of the transaction.
- Assessed management's evaluation of whether the acquisition constituted a business combination under IFRS 3 or an asset acquisition under IFRS 2.

- Evaluated that the identifiable and unidentifiable goods or services acquired were accounted for in accordance with the measurement requirements of IFRS 2.
- Evaluated that the identifiable assets acquired and liabilities assumed were accounted for in accordance with the measurement requirements of IFRS 3.
- Assessed the completeness of assets identified and tested the calculation of fair value of the intangible assets acquired that consisted of developed technology for the acquisition of Add BioMedical Inc.
- Assessed the completeness of identifiable assets acquired and liabilities assumed and tested the calculation of fair value of the assets acquired and liabilities assumed for the acquisition of NatureVan Nutrition Ltd.
- Evaluated the independence and expertise of the external valuation specialist, and the valuation method used in determining fair value of the identifiable assets acquired, liabilities assumed, including intangible assets and goodwill.
- Professionals with specialized skill and knowledge in the field of valuation assisted in testing the reasonableness of the fair value model applied by management's experts in calculating fair value of the intangible assets and goodwill.
- Recalculated the fair value of the shares issued by taking the quoted price on the date of the acquisition multiplied by the number of shares issued and warrants issued using the Black-Scholes option pricing model, including evaluating management's inputs related to the expected life, dividend yield, risk free rate and volatility.

Other Information

Management is responsible for the other information. The other information comprises the information included in the 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism 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 financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

“SHIM & Associates LLP”

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada

May 1, 2023

ScreenPro Security Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

| | As at December 31, 2022 \$ | As at December 31, 2021 \$ |
|---|-------------------------------------|-------------------------------------|
| ASSETS | | |
| CURRENT | | |
| Cash | 437,415 | 207,789 |
| Accounts receivable | 74,398 | 55,450 |
| Sales tax recoverable | 8,079 | 43,214 |
| Inventory [note 4] | 462,079 | 2,287,874 |
| Prepaid expenses | 85,015 | 181,420 |
| | 1,066,986 | 2,775,747 |
| DEPOSIT [note 8] | 10,000 | 10,000 |
| PROPERTY AND EQUIPMENT [note 5] | 506,240 | 886,221 |
| RIGHT-OF-USE ASSET [note 8] | 119,464 | 119,929 |
| INTANGIBLE ASSETS [note 6] | 582,084 | 493,140 |
| GOODWILL [note 6] | 2,675,998 | 602,165 |
| Total assets | 4,960,772 | 4,887,202 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | 3,554,404 | 3,920,370 |
| Current portion of lease liabilities [note 8] | 79,484 | 49,025 |
| | 3,633,888 | 3,969,395 |
| LEASE LIABILITIES [note 8] | 41,180 | 71,804 |
| Total liabilities | 3,675,068 | 4,041,199 |
| SHAREHOLDERS' EQUITY | | |
| Share capital [note 9] | 15,592,036 | 11,073,403 |
| Warrants reserve | 2,142,182 | 969,332 |
| Accumulated deficit | (16,448,514) | (11,196,732) |
| Total shareholders' equity | 1,285,704 | 846,003 |
| Total liabilities and shareholders' equity | 4,960,772 | 4,887,202 |

Subsequent event (Note 15)

Approved on behalf of the Board

“Jibran Sharif”
Director (Signed)

“Alex MacKay”
Director (Signed)

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

ScreenPro Security Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

| | For the year ended December 31, 2022 | For the thirteen months ended December 31, 2021 |
|---|---|--|
| | \$ | \$ |
| SALES | 14,692,628 | 21,224,967 |
| COST OF SALES | (12,112,045) | (18,529,099) |
| GROSS PROFIT | 2,580,583 | 2,695,868 |
| EXPENSES | | |
| Consulting fees <i>[note 7]</i> | 2,087,990 | 838,852 |
| Depreciation <i>[notes 5, 6 and 8]</i> | 1,107,000 | 1,995,787 |
| General and administrative <i>[note 7]</i> | 1,057,415 | 1,458,615 |
| Marketing | 227,334 | 309,324 |
| Professional services | 376,614 | 923,638 |
| Salaries <i>[note 7]</i> | 1,642,787 | 1,021,666 |
| | 6,499,140 | 6,547,882 |
| LOSS BEFORE OTHER ITEMS | (3,918,557) | (3,852,014) |
| Gain on settlement of liabilities | — | 132,170 |
| Excess consideration paid over net assets acquired <i>[note 12]</i> | (1,333,225) | (4,777,912) |
| Listing expense <i>[note 12]</i> | — | (1,658,745) |
| NET LOSS AND COMPREHENSIVE LOSS | (5,251,782) | (10,156,501) |
| Basic and diluted earnings per share | (0.06) | (0.31) |
| Weighted average number of common shares - basic and diluted | 87,261,106 | 32,674,560 |

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

ScreenPro Security Inc.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

| | Number of shares | Share capital \$ | Warrants reserve \$ | Accumulated deficit \$ | Total \$ |
|--|---------------------|---------------------|---------------------------|------------------------------|---------------------|
| Balance, November 30, 2020 | 5,277,500 | 1,915,117 | 19,575 | (1,040,231) | 894,461 |
| Issuance of common shares <i>[note 9]</i> | 716,699 | 1,050,049 | — | — | 1,050,049 |
| Recapitalization <i>[notes 9 and 12]</i> | (1,095,991) | — | — | — | — |
| Rounding on share consolidation | (23) | — | — | — | — |
| Shares issued for reverse takeover <i>[notes 9 and 12]</i> | 29,061,572 | 1,480,205 | — | — | 1,480,205 |
| Shares issued for acquisition <i>[notes 9 and 12]</i> | 7,600,000 | 6,720,000 | 895,512 | — | 7,615,512 |
| Shares issued for warrant exercises | 79,159 | 21,028 | — | — | 21,028 |
| Share issue costs | — | (112,996) | 54,245 | — | (58,751) |
| Net loss for the period | — | — | — | (10,156,501) | (10,156,501) |
| Balance, December 31, 2021 | 41,638,916 | 11,073,403 | 969,332 | (11,196,732) | 846,003 |
| Units issued for acquisitions <i>[notes 9 and 12]</i> | 58,833,331 | 3,895,833 | 881,850 | — | 4,777,683 |
| Private placements <i>[note 9]</i> | 18,300,000 | 624,000 | 291,000 | — | 915,000 |
| Share issue costs | — | (1,200) | — | — | (1,200) |
| Net loss for the year | — | — | — | (5,251,782) | (5,251,782) |
| Balance, September 30, 2022 | 118,772,247 | 15,592,036 | 2,142,182 | (16,448,514) | 1,285,704 |

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

ScreenPro Security Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

| | For the year ended December 31, 2022 | For the thirteen months ended December 31, 2021 |
|--|---|--|
| | \$ | \$ |
| OPERATING ACTIVITIES | | |
| Net loss | (5,251,782) | (10,156,501) |
| Items not affecting cash: | | |
| Accretion and interests | 16,415 | 12,520 |
| Consulting fees paid in shares | — | 50,000 |
| Depreciation | 1,107,000 | 1,995,787 |
| Gain on settlement of liabilities | — | (132,170) |
| Excess consideration paid over net assets acquired | 1,333,225 | 4,777,912 |
| Listing expense | — | 1,658,745 |
| Changes in non-cash working capital balances: | | |
| Accounts receivable | (11,852) | 4,782 |
| Harmonized sales tax recoverable | 35,135 | 38,489 |
| Inventory | 1,974,869 | (1,627,300) |
| Prepaid expenses | 98,705 | (189,938) |
| Accounts payable and accrued liabilities | (371,901) | 3,066,343 |
| Cash used in operating activities | (1,070,186) | (501,331) |
| INVESTING ACTIVITIES | | |
| Acquisition of AddBio, net of cash received | 1,069,776 | — |
| Acquisition of NatureVan, net of cash received | (486,686) | — |
| Cash acquired from acquisitions | — | 117,865 |
| Purchase of property and equipment | (117,778) | (797,148) |
| Cash provided by (used in) investing activities | 465,312 | (679,283) |
| FINANCING ACTIVITIES | | |
| Shares issued for cash, net of share issue costs | 913,800 | 962,326 |
| Share subscription received | — | 25,000 |
| Lease payments | (79,300) | (45,000) |
| Cash provided by financing activities | 834,500 | 942,326 |
| INCREASE (DECREASE) IN CASH | 229,626 | (238,288) |
| CASH - BEGINNING OF YEAR | 207,789 | 446,077 |
| CASH - END OF YEAR | 437,415 | 207,789 |
| Supplementary cash flow information | | |
| Interest income | — | — |
| Income tax paid | — | — |

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

ScreenPro Security Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

1. NATURE OF BUSINESS

ScreenPro Security Inc. (the "Company") is incorporated under the laws of the Province of Ontario. The Company's common shares are listed on the Canadian Securities Exchange under the trading symbol "SCRN".

On February 28, 2021, the Company entered into a definitive agreement with ScreenPro Security Ltd. ("ScreenPro") related to a reverse-takeover transaction ("RTO"). Pursuant to the definitive agreement, the parties completed a three-cornered amalgamation whereby a newly incorporated subsidiary of the Company amalgamated with ScreenPro, and the Company acquired all the issued and outstanding ScreenPro shares. The shareholders of ScreenPro received common shares in the Company in exchange for their ScreenPro shares, resulting in a reverse takeover of the Company by ScreenPro shareholders. In March 2021, the Company completed the RTO (note 12).

While these consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis that presumes the realization of assets and discharge of liabilities in the normal course of business, there are material uncertainties related to adverse conditions and events that cast significant doubt on the Company's ability to continue as a going concern.

During the year ended December 31, 2022, the Company incurred a loss of \$5,251,782 and, as of that date, the Company had accumulated deficit of \$16,448,514 and a working capital deficit of \$2,566,902. The Company's continuing operations as intended are dependent upon its the ability to raise additional funds, investor sentiment and financial market conditions, all of which may be impacted by the uncertainties arising from the COVID-19 pandemic. Should the Company be unable to secure additional financing, the Company may be unable to discharge its net liabilities. These uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

The office address of the Company is 2300 Yonge Street, Suite 2802, Toronto, Ontario, M4P 1E4.

In March 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses. The Company's business began as a result of this disruption. The Company's business related to COVID-19 has been declining in 2022.

ScreenPro Security Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION

2.1 Basis of presentation and statement of compliance

These consolidated financial statements for the Company for the year ended December 31, 2022 have been prepared in accordance with IFRS, issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were approved and authorized for issuance by the Company’s Board of Directors on May 1, 2023.

The consolidated financial statements are presented in Canadian dollars which is also the Company’s functional currency. The consolidated financial statements are presented at historical costs, other than certain financial instruments measured at fair value. The accrual method of accounting is used in the consolidated financial statements, other than cash flow information. The accounting policies have been applied consistently in these consolidated financial statements, unless otherwise indicated.

2.2 Principles of consolidation

These consolidated financial statements are the continuation of the accounting acquirer (note 12), ScreenPro, with the exception of share capital structure, which represents the Company’s equity structure, and the financial accounts and results of the Company from March 5, 2021, being the effective date of the RTO.

The Company’s wholly owned operating subsidiaries include:

| Name of the entity | Jurisdiction of incorporation | Functional currency | Principal activity |
|---|--------------------------------------|----------------------------|---------------------------|
| ScreenPro Security Ltd. (“ScreenPro Ltd”) | Canada | Canadian Dollar | Inactive |
| GoStop Inc. (“GoStop”) | Canada | Canadian Dollar | Health Technology |
| Concierge Medical Consultant Inc. (“Concierge”) | Canada | Canadian Dollar | Health Care |
| Add Biomedical Inc. (“AddBio”) * | Canada | Canadian Dollar | Health Care |
| NatureVan Nutrition Ltd. (“NatureVan”) * | Canada | Canadian Dollar | Health Care |

* AddBio and NatureVan are consolidated from February 2022 and May 2022, respectively, being their acquisition dates.

Intercompany balances and transactions are eliminated upon consolidation and preparation of these consolidated financial statements.

ScreenPro Security Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

2.3 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained. The financial statements are presented in Canadian dollars which is the presentation and functional currency of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Cash

Cash represents amount deposited with the financial institution.

3.2 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Property and equipment are depreciated at the following rates and methods:

| | |
|----------|-----------------------------|
| Machine | 3-year straight-line method |
| Vehicles | 2-year straight-line method |

Property and equipment acquired during the period but not placed into use are not depreciated until they are placed into use. All additions made during the period is depreciated at 50% of the above rates.

An item of property and equipment is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of loss and comprehensive loss.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for property and equipment and any changes arising from the assessment are applied by the Company prospectively.

Where an item of property and equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

ScreenPro Security Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

3.3 Taxation

Income tax expense represents the sum of current income tax expense and deferred income tax expense. Current income tax expense is based on taxable income for the period. Income tax is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current income tax is the expected income tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred income tax assets and liabilities are recognized based on differences in the financial statement carrying amount for assets and liabilities and the associated tax balance.

Deferred income tax liabilities are generally recognized for all taxable temporary differences. Temporary differences are not provided for goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred income 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 statement of financial position date.

Deferred income tax assets are generally recognized for all deductible temporary differences, unused tax credits carried forward and unused tax losses to the extent that it is probable that there will be taxable income against which deductible temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities, when they relate to income taxes levied by the same taxation authority and when the Company intends to settle its current income tax assets and liabilities on a net basis.

3.4 Financial instruments

a) Classification of financial assets and financial liabilities

The Company uses three classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (“FVTOCI”), and fair value through profit or loss (“FVTPL”). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial liabilities are classified and measured in two categories: amortized cost or FVTPL. The Company does not separate derivatives embedded in contracts where the host is a financial asset. Instead, the hybrid financial instruments as a whole are assessed for classification.

ScreenPro Security Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

The Company's financial assets and financial liabilities are classified as follows:

| | Classification |
|--|-----------------------|
| Cash | Amortized cost |
| Accounts receivable | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |

On initial recognition, a financial asset is classified as measured at amortized costs, FVTPL, or FVTOCI. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. The Company recognizes trade receivables initially when they are originated. All other financial assets are initially recognized when the Company becomes a party to the contractual provisions of the instrument. All trade receivables without a significant financing component are initially measured at their transaction prices as defined in IFRS 15. All other financial assets are initially measured at fair value plus, for items not classified as FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent to initial recognition, financial assets as amortized costs are measured at cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. All other financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income/(loss). At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in the statement of comprehensive loss in the period in which they arise.

ScreenPro Security Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

b) Impairment of financial assets

The Company uses a forward-looking "expected credit loss" ("ECL") model. The ECL model requires judgement, including consideration of how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model is applied, at each reporting date, to the Company's financial assets measured at amortized cost. Impairment losses are recorded in profit or loss with the carrying amount of the financial asset reduced through the use of impairment allowance.

Evidence of impairment may include indications that the counterparty debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward-looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

Financial assets are written off when there is no reasonable expectation of recovery.

c) Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are recognized in profit or loss. The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, 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.

3.5 Impairment of non-financial assets

At each date of the statements of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong.

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The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the 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 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 companies or other available fair value indicators.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 periods. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

3.6 Significant accounting judgments and estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and judgments that affect the applications of accounting policies regarding certain types of assets, liabilities, revenues, and expenses in the preparation of these consolidated financial statements. Estimates and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. These estimates and judgments are based on management's historical experience, best knowledge of current events or conditions and activities that the Company may undertake in the future. Actual results could differ materially from these estimates.

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Judgments

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the amounts reported in these consolidated financial statements are discussed below:

a) **Business combinations, control and significant influence**

The Company uses judgment in determining the entities that it controls and therefore, consolidates or has significant influence over and therefore accounts for on an equity basis. The Company controls an entity when the Company has existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The Company has significant influence when the Company has the power to participate in the financial and operating policy decisions of the investee, but does not control nor has joint control of that investee's policies.

b) **Intangible assets and goodwill**

Management is required to use judgment in determining the economic useful lives of identifiable intangible assets. Judgment is also required to determine the frequency with which these assets are to be tested for impairment. The Company uses judgment in determining the grouping of assets to identify its Cash Generating Units ("CGUs") for purposes of testing for impairment of intangible assets and goodwill. In testing for impairment, goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from the synergies of the business combination. In testing for impairment of intangibles with indefinite lives, these assets are allocated to the CGUs to which they relate.

c) **Income taxes**

In calculating current and deferred income taxes, the Company uses judgment when interpreting the tax rules where the Company operates. The Company also uses judgment in classifying transactions and assessing probable outcomes of claimed or accrued deductions, which considers expectations of future operating results, the timing and reversal of temporary differences and possible audits of income tax filings by tax authorities.

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Estimates

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the changes affects both.

a) **Fair value of intangible assets and goodwill**

With respect to intangible assets acquired and goodwill recognized in a business combination, the Company determines fair values using such estimates such as discounts rates, growth rates and terminal capitalization rates. These estimates take into account any material change to the assumptions that occur when reviewed annually by management.

3.7 Inventory

Inventories comprise of Covid-19 test kits under laboratory testing and are stated at the lower of cost and net realizable value. The inventory costs are determined using the specific identification basis.

Net realizable value for the inventory is generally considered to be the selling price in the ordinary course of business less the estimated costs of completion and the estimated costs to make the sale.

3.8 Foreign currency translation

In preparing the financial statements, transactions in currencies other than the entity's functional currency are translated at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at that date. Exchange gains and losses are recognized on a net basis in the statement of loss and comprehensive loss.

3.9 Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and units are recognized as a deduction from equity.

The Company records proceeds from share issuances net of issue costs and any tax effects.

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3.10 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.11 Revenue

The Company uses a five step model for recognizing revenue from contracts with customers. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the expected consideration receivable in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs.

Services provided to customers

The Company provides testing kits related services to customers. Under IFRS 15, the total consideration for service contracts is allocated based on their stand-alone selling prices, and revenue is recognized over time as performance obligations are satisfied.

3.12 Operating segments

The Company determines its reportable segments based on, among other things, how the chief operating decision makers, including the Chief Executive Officer, regularly reviews its operations and performance.

For the year ended December 31, 2022 and the thirteen months ended December 31, 2021, management has determined that the Company operated in one operating and reportable segments being the health care business.

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Notes to Consolidated Financial Statements

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3.13 Leases

The Company leases buildings, primarily for office use. For all lease contracts entered into, or changed, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentive received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. There are no dismantling, removal and restoration costs included in the cost of the right-of-use asset as management has not incurred an obligation for those costs.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest rate method.

3.14 Intangible assets

Intangible assets acquired through asset acquisitions or business combinations are initially recognized at fair value. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives. The Company evaluates the reasonableness of the estimated useful lives of these intangible assets on an annual basis. The Company reviews intangible assets with indefinite lives annually for impairment but impairment may be reviewed earlier if circumstances indicate that the carrying amount may not be recoverable. Indefinite life intangible assets are not amortized.

The estimated useful lives of intangible assets are as follows:

| | |
|------------------------|---------|
| Developed technologies | 2 years |
|------------------------|---------|

3.15 Goodwill

Goodwill represents the excess purchase price over the fair value of identifiable assets acquired less liabilities assumed from business combinations. Goodwill is not amortized. The Company reviews goodwill annually for impairment but impairment may be reviewed earlier if circumstances indicate that the carrying amount may not be recoverable.

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3.16 Warrants

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants.

Broker warrants and other share purchase warrants issued for goods or services are measured at fair value using the Black-Scholes option pricing model.

3.17 Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. Diluted loss per share is equivalent to basic loss per share, as the effects of all dilutive potential common shares would be anti-dilutive.

3.18 Future accounting standards

Amendments to IAS 1 Presentation of Financial Statements

The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2023. The Company does not believe that these amendments will have a material impact on the consolidated financial statements.

The Company continues to review changes to IFRS standards. There are no other pending IFRSs or IFRIC interpretations that are expected to be relevant to the Company's consolidated financial statements.

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Notes to Consolidated Financial Statements

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(Expressed in Canadian Dollars)

4. INVENTORY

| | As at December 31, 2022 \$ | As at December 31, 2021 \$ |
|---|----------------------------------|----------------------------------|
| Covid-19 test kits under laboratory testing | 301,711 | 2,287,874 |
| NatureVan – finished goods | 160,368 | - |
| | 462,079 | 2,287,874 |

The cost of inventory included in the cost of sales was \$3,757,962 (2021 - \$8,564,099).

5. PROPERTY AND EQUIPMENT

| | Equipment \$ | Vehicles \$ | Total \$ |
|----------------------------------|------------------|----------------|------------------|
| Cost: | | | |
| As at November 30, 2020 | 446,602 | 26,187 | 472,789 |
| Additions | 591,564 | 205,584 | 797,148 |
| As at December 31, 2021 | 1,038,166 | 231,771 | 1,269,937 |
| Additions | 117,778 | — | 117,778 |
| As at December 31, 2022 | 1,155,944 | 231,771 | 1,387,715 |
| Accumulated depreciation: | | | |
| As at November 30, 2020 | 43,420 | 2,349 | 45,769 |
| Depreciation | 268,083 | 69,864 | 337,947 |
| As at December 31, 2021 | 311,503 | 72,213 | 383,716 |
| Depreciation | 385,314 | 112,445 | 497,759 |
| As at December 31, 2022 | 696,817 | 184,658 | 881,475 |
| Net book value: | | | |
| As at December 31, 2021 | 726,663 | 159,558 | 886,221 |
| As at December 31, 2022 | 459,127 | 47,113 | 506,240 |

ScreenPro Security Inc.

Notes to Consolidated Financial Statements

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6. INTANGIBLE ASSET AND GOODWILL

| | Developed technologies | Goodwill | Total |
|----------------------------------|------------------------|------------------|------------------|
| | \$ | \$ | \$ |
| Cost: | | | |
| As at November 30, 2020 | — | — | — |
| Additions | 2,117,600 | 602,165 | 2,719,765 |
| As at December 31, 2021 | 2,117,600 | 602,165 | 2,719,765 |
| Additions | 635,000 | 2,073,833 | 2,708,833 |
| As at December 31, 2022 | 2,752,600 | 2,675,998 | 5,428,598 |
| Accumulated depreciation: | | | |
| As at November 30, 2020 | — | — | — |
| Depreciation | 1,624,460 | — | 1,624,460 |
| As at December 31, 2021 | 1,624,460 | — | 1,624,460 |
| Depreciation | 546,056 | — | 546,056 |
| As at December 31, 2022 | 2,170,516 | — | 2,170,516 |
| Net book value: | | | |
| As at December 31, 2021 | 493,140 | 602,165 | 1,095,305 |
| As at December 31, 2022 | 582,084 | 2,675,998 | 3,258,082 |

ScreenPro Security Inc.

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7. RELATED PARTY TRANSACTIONS

Related parties are defined as management and principal shareholders of the Company and/or members of their immediate family and/or other companies and/or entities in which a principal shareholder, director or senior officer is a principal owner or senior executive.

Related party transactions, with entity with common management and shareholders, are as follows:

| | For the year ended December 31, 2022 \$ | For the thirteen months ended December 31, 2021 \$ |
|---|---|--|
| Salaries paid to current and former officers and directors | 638,333 | 500,107 |
| Consulting fees paid to current and former officers and directors | 663,500 | 293,500 |
| Rent paid to a company controlled by a former director | 60,900 | 50,000 |

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors, advisory board members, officers of the Company.

8. RIGHT-OF-USE ASSET AND LEASE LIABILITIES

During the thirteen months ended December 31, 2021, the Company entered into a lease agreement with a company controlled by a former director of the Company. The lease contract contained a deposit in the amount of \$10,000 that will be applied for the rent of the last two months the lease term. The lease expires in March 2024.

During the year ended December 31, 2022, the Company entered into a lease agreement with an arm's length party for NatureVan. The lease is for \$2,300 per month that expires in December 2024.

Right-of-use asset

| | |
|---|----------------|
| | \$ |
| Balance at May 6, 2020 and November 30, 2020 | - |
| Addition | 153,309 |
| Amortization charge for the period | (33,380) |
| Balance at December 31, 2021 | 119,929 |
| Addition | 62,720 |
| Amortization charge for the year | (63,185) |
| Balance at December 31, 2022 | 119,464 |

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Lease liability

| | \$ |
|---|----------------|
| Balance at May 6, 2020 and November 30, 2020 | - |
| Addition | 153,309 |
| Accretion on lease liability | 12,520 |
| Lease payments | (45,000) |
| Balance at December 31, 2021 | 120,829 |
| Addition | 62,720 |
| Accretion on lease liability | 16,415 |
| Lease payments | (79,300) |
| Balance at December 31, 2022 | 120,664 |
| Classified as current | 79,484 |
| Classified as non-current | 41,180 |

When measuring the lease liability, the Company discounted lease payments using its incremental borrowing rate of 12%.

Future lease payments are as follows:

| | |
|------------------------------|----------|
| Year ended December 31, 2023 | \$89,700 |
| Year ended December 31, 2024 | \$43,200 |

9. SHARE CAPITAL

In February 2022, the Company consolidated the common shares of the Company on the basis of one post-consolidation share for each ten pre-consolidation shares. All figures presented in these consolidated financial statements have been retrospectively adjusted to reflect this share consolidation.

a) Authorized:

Unlimited number of common shares, one votes per share, without par value

b) Issued:

On December 16, 2020, the Company issued 50,000 common shares valued at \$1.00 per share for a total compensation of \$50,000 for services rendered by a consultant of the Company.

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On February 26, 2021, the Company issued 666,699 common shares at \$1.50 per share for gross proceeds of \$1,000,049. The Company paid finder's fees of \$58,751 and issued 39,167 finder warrants exercisable at \$1.50 per share and expire on February 26, 2023. These warrants were exchanged for 183,640 new warrants with an exercise price of \$0.30 as a result of the RTO. The fair value of the finder' warrants was measured at \$54,245 using the Black-Scholes Option Pricing Model with the following assumptions: exercise price - \$0.15; expected life - 2 years; volatility – 237%; dividend yield - Nil; and risk-free rate – 0.31%.

On March 5, 2021, the Company completed the RTO and issued 29,061,572 common shares to acquire ScreenPro (note 12).

On March 26, 2021, the Company acquired GoStop and issued 4,000,000 common shares valued at \$6,000,000 (note 12).

On April 20, 2021, the Company issued 63,218 common shares upon exercise of share purchase warrants for total proceeds of \$17,840.

On May 21, 2021, the Company issued 15,941 common shares upon exercise of share purchase warrants for total proceeds of \$3,188.

On November 15, 2021, the Company acquired Concierge and issued 3,600,000 common shares valued at \$720,000 (note 12).

On February 22, 2022, the Company acquired AddBio and issued 33,000,000 common shares valued at \$2,475,000 (note 12).

On May 1, 2022, the Company acquired NatureVan and issued 25,833,331 common shares valued at \$1,420,833 (note 12).

On December 14, 2022, the Company issued 9,700,000 units at \$0.05 per unit for gross proceeds of \$485,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.05 for 18 months from the date of issuance. The Company paid finder's fees of \$1,200.

On December 14, 2022, the Company issued 8,600,000 common shares at \$0.05 per share for gross proceeds of \$430,000.

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Warrants

The changes in the Company's warrants for the period ended December 31, 2021 and the year ended December 31, 2022 are as follows:

| | Number of warrants | Weighted average exercise price |
|---|--------------------|---------------------------------|
| Balance, May 6, 2020 and November 30, 2020 | - | - |
| RTO transaction (note 12) | 183,640 | \$0.30 |
| RTO transaction (note 12) | 101,273 | \$0.20 |
| GoStop acquisition (note 12) | 2,000,000 | \$1.50 |
| Exercised | (79,159) | \$0.30 |
| Balance, December 31, 2021 | 2,205,754 | \$1.40 |
| AddBio acquisition (note 12) | 33,000,000 | \$0.15 |
| NatureVan acquisition (note 12) | 25,833,331 | \$0.07 |
| GoStop warrants expired | (2,000,000) | \$1.50 |
| Issued from a private placement | 9,700,000 | \$0.05 |
| Expired | (74,080) | \$0.20 |
| Balance, December 31, 2022 | 68,665,005 | \$0.11 |

As at December 31, 2022, the Company had the following warrants outstanding and exercisable:

| Number of warrants | Exercise price | Expiry date |
|--------------------|----------------|-------------------|
| 131,674 | \$0.30 | February 26, 2023 |
| 33,000,000 | \$0.15 | March 18, 2024 |
| 25,833,331 | \$0.07 | May 13, 2024 |
| 9,700,000 | \$0.05 | June 14, 2024 |

10. FINANCIAL RISK FACTORS

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

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The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

Unless otherwise noted, the carrying value of cash, accounts receivable, accounts payable and accrued liabilities approximates fair value for each financial instrument.

Financial Risk Management

The Company is exposed to credit risk and liquidity risk. The Company's management oversees the management of these risks. The Company's management is supported by the Board that advises on financial risks and the appropriate financial risk governance framework for the Company. The Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and the Company risk appetite.

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(a) Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and accounts receivable. The cash consists of money held in a reputable Canadian bank. To reduce its credit risk from its accounts receivable, the Company reviews credit history of new clients before extending credit. Historically, there has been no collection issue with any of the Company's customers.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligation associated with financial liabilities. The Company is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages liquidity risk through obtaining financing from its shareholders. At December 31, 2022, the Company had a working capital deficiency of \$2,566,902 (2021 – \$1,193,648) and, as a result, the Company will need additional financing in the future.

11. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to maintain a strong capital base so as to maintain investor, creditor and market confidence and sustain future development of the business. The capital of the Company consists of equity.

The Company manages its capital structure and makes adjustments in light of the changes in its economic environment and the risk characteristics of the Company's assets. To effectively manage the Company's capital requirements, the Company has in place planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. There were no externally imposed capital requirements to which the Company is subject as at December 31, 2022.

12. ACQUISITIONS

ScreenPro Security Ltd.

On February 28, 2021, the Company entered into a definitive agreement with ScreenPro related to a proposed RTO. In March 2021, the RTO with ScreenPro was completed (note 1).

The Transaction resulted in an issuance of 29,061,572 common shares of the Company to ScreenPro shareholders and issuance of 284,913 share purchase warrants to the ScreenPro warrant-holders. A total of 183,640 warrants were exercisable at \$0.30 per share with an expiry date of February 26, 2023 and a total of 101,273 warrants were exercisable at \$0.20 per share with an expiry date of November 23, 2022.

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The substance of the transaction was a reverse takeover of the non-operating company and the transaction does not constitute a business combination as the Company does not meet the definition of a business under IFRS 3. As a result, the transaction was recorded by the Company as a reverse takeover that was not a business combination with a recognition of a listing expense which represented the difference between the fair value of consideration that ScreenPro paid and the fair value of the Company's net assets.

ScreenPro, the legal subsidiary, has been identified as the accounting acquirer and the Company, the legal parent, has been identified as the accounting acquiree. As ScreenPro was deemed to be the acquirer for accounting purposes, its assets, liabilities, and operations since incorporation are included in these consolidated financial statements at their historical carrying value. The Company's results of operations have been included from March 5, 2021, the date of the completion of the RTO.

The listing expense related to the RTO was calculated as follows:

| | Amount |
|--|------------------|
| | \$ |
| Consideration | |
| Common shares | 1,480,205 |
| Total consideration | <u>1,480,205</u> |
| Identifiable assets acquired (liabilities assumed) | |
| Cash | 30 |
| Accounts payable and accrued liabilities | <u>(178,570)</u> |
| Total net liability assumed | <u>(178,540)</u> |
| Listing expense | <u>1,658,745</u> |

On completion of the RTO, the former officers and/or directors of the Company forgave their loans in the amount of \$132,170.

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GoStop Inc.

On March 26, 2021, the Company completed the acquisition of GoStop Inc. (“GoStop”), a private COVID-19 digital passport services company, by way of a share exchange agreement (“Share Exchange Agreement”) between the Company, GoStop and GoStop shareholders. Pursuant to the terms of the Share Exchange Agreement:

The Company acquired all the issued and outstanding common shares of GoStop from the GoStop shareholders by issuing 4,000,000 units of the Company. Each unit consists of one common share of the Company and one-half of one warrant. Each warrant is exercisable to purchase one common share at a price of \$0.15 per share until September 26, 2022. The purchase price had a total fair value of \$6,895,512 calculated as follows: \$6,000,000 related to 4,000,000 common shares of the Company and \$895,512 related to 2,000,000 warrants determined by the Black-Scholes option pricing model using the following assumptions: (i) expected warrant life of 1.50 years; (ii) risk free rate of 0.17%; (iii) dividend yield of nil; and (iv) expected volatility of 62%.

The acquisition of GoStop was accounted for as an asset acquisition consistent with IFRS 2 – Shares based payments, as it did not meet the definition of a business under IFRS 3 – Business combination. During the period ended December 31, 2021, the Company recognized an intangible asset in the amount of \$2,117,600 related to GoStop’s developed technology (note 6). The difference between the purchase price and the intangible asset have been recorded as excess considered included as other expense in the Company’s profit or loss.

Concierge Medical Consultants Inc.

On November 15, 2021, the Company completed the acquisition of Concierge, a premium private medical clinic. The acquisition of Concierge expands the Company’s opportunities in the health security business. Pursuant to the Definitive Agreement, the Company was issued 3,600,000 common shares in the capital of the Company valued at \$720,000. No finder’s fee was payable in connection with the transaction.

The acquisition of Concierge was accounted for as a business combination, in which the assets acquired and the liabilities assumed are recorded at their estimated fair values.

ScreenPro Security Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

The allocation of the purchase consideration is as follows:

| | Amount |
|--|-------------------|
| Purchase consideration | |
| Common shares | \$ 720,000 |
| Total | 720,000 |
| Fair value of assets acquired | |
| Cash | 117,835 |
| Total identifiable net assets acquired | 117,835 |
| Goodwill | 602,165 |
| Total | \$ 720,000 |

Goodwill recognized comprises the assembled workforce and their knowledge, regulatory affairs and expected revenue growth and future market development.

Concierge had limited history of operations and, as a result, the Company's pro-forma information presenting the combined results as if the acquisition of Concierge was completed at the beginning of the year would not be significantly different from these results presented for the thirteen months ended December 31, 2021.

Add Biomedical Inc.

In February 2022, the Company announced a proposed acquisition of Add Biomedical Inc., a biomedical screening company with the initial focus on breast cancer detection. In March 2022, the Company completed the acquisition of all of the issued and outstanding shares of Add Bio. Pursuant to the Share Purchase Agreement, the Company issued 33,000,000 units of the Company (note 9), each unit consisting of one common share and one common share purchase warrant. Each warrant exercisable to purchase one common share at an exercise price of \$0.15 per share for 24 months.

The purchase price had a total fair value of \$3,038,001 calculated as follows: \$2,475,000 related to 33,000,000 common shares of the Company and \$563,001 related to 33,000,000 warrants determined by the Black-Scholes option pricing model using the following assumptions: (i) expected warrant life of 2.00 years; (ii) risk free rate of 1.89%; (iii) dividend yield of nil; and (iv) expected volatility of 75.71%.

ScreenPro Security Inc.

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The acquisition of AddBio was accounted for as an asset acquisition consistent with IFRS 2 – Shares based payments, as it did not meet the definition of a business under IFRS 3 – Business combination. During the year ended December 31, 2022, the Company recognized an intangible asset in the amount of \$635,000 related to AddBio’s developed technology (note 6). The difference between the purchase price and the intangible asset, in the amount of \$1,333,225, have been recorded as excess considered included as other expense in the Company’s profit or loss.

NatureVan Nutrition Ltd.

On May 1, 2022, the Company completed the acquisition of NatureVan, an e-commerce and retail business with natural health supplement products. The acquisition of NatureVan expands the Company’s opportunities in the health and wellness industry. The Company was issued 25,833,331 units of the Company (note 9), each unit consisting of one common share and one common share purchase warrant. Each warrant exercisable to purchase one common share at an exercise price of \$0.07 per share for 24 months.

The purchase price had a total fair value of \$2,389,682 calculated as follows: \$650,000 paid in cash, \$1,420,833 related to 25,833,331 common shares of the Company and \$318,849 related to 25,833,331 warrants determined by the Black-Scholes option pricing model using the following assumptions: (i) expected warrant life of 2.00 years; (ii) risk free rate of 2.73%; (iii) dividend yield of nil; and (iv) expected volatility of 52.31%.

The acquisition of NatureVan was accounted for as a business combination, in which the assets acquired and the liabilities assumed are recorded at their estimated fair values.

The allocation of the purchase consideration is as follows:

| | Amount |
|-------------------------------|---------------|
| Purchase consideration | |
| Cash | \$ 650,000 |
| Common shares | 1,420,833 |
| Warrants | 318,849 |
| | <hr/> |
| Total | \$ 2,389,682 |

ScreenPro Security Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

| Fair value of assets acquired and liabilities assumed | |
|--|---------------------|
| Cash | 163,314 |
| Accounts receivable and other receivables | 7,096 |
| Inventory | 149,074 |
| Prepaid expenses | 2,300 |
| Accounts payable and accrued liabilities | (5,935) |
| <hr/> | |
| Total identifiable net assets assumed | 315,849 |
| Goodwill | 2,073,833 |
| Total | <u>\$ 2,389,682</u> |

Goodwill recognized comprises the assembled workforce and their knowledge, regulatory affairs and expected revenue growth and future market development.

NatureVan had limited history of operations and, as a result, the Company's pro-forma information presenting the combined results as if the acquisition of NatureVan was completed at the beginning of the period would not be significantly different from these results presented for the year ended December 31, 2022.

13. INCOME TAXES

Current income taxes

| | For the year ended December 31, 2022 | For the thirteen months ended December 31, 2021 |
|----------------------------------|---|--|
| | \$ | \$ |
| Net loss before income taxes | (5,251,782) | (10,156,501) |
| Tax rate | 27% | 27% |
| Income tax recoverable | (1,417,981) | (2,742,255) |
| Permanent differences | 507,163 | 2,146,236 |
| Change in tax rate | — | (71,302) |
| Unrecognized deferred tax assets | 910,818 | 667,321 |
| | <u>—</u> | <u>—</u> |

ScreenPro Security Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

Deferred income taxes

| | For the year ended December 31, 2022 | For the thirteen months ended December 31, 2021 |
|------------------------------------|---|--|
| | \$ | \$ |
| Non-capital loss carry forward | 1,395,400 | 613,134 |
| Property and equipment | 225,640 | 91,246 |
| Share issue costs | 18,565 | 24,407 |
| Deferred tax assets not recognized | (1,639,605) | (728,787) |

The Company's ability to realize the tax benefits is dependent upon a number of factors, including the history of earnings and the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recovered. Accordingly, a corresponding full valuation allowance was recorded to deferred tax assets.

As at December 31, 2022, the Company had non-capital losses amounting to approximately \$5,200,000 and will expire in between 2040 and 2042.

14. CONTINGENCY

A vendor commenced a claim against the Company in the Ontario Small Claims Court claiming damages of \$16,055. The Company has defended the claim. The claim remains outstanding as of December 31, 2022. The dispute is in its early stages and the outcome of the matter is undeterminable at this time.

15. SUBSEQUENT EVENT

In January 2023, the Company granted 4,800,000 stock options to certain officers, directors and consultants of the Company exercisable at \$0.05 per share expiring on January 26, 2025.