# BEYOND MEDICAL TECHNOLOGIES INC.
## (FORMERLY MICRON WASTE TECHNOLOGIES INC.)

### CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in Canadian dollars)

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Beyond Medical Technologies Inc. (formerly Micron Waste Technologies Inc.) (the "Company") are the responsibility of the Company's management. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board and reflect management's best estimates and judgments based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded, and financial information is reliable.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls through its Audit Committee, which is comprised of non-management directors. The Audit Committee reviews the results of the audit and the annual consolidated financial statements prior to their submission to the Board of Directors for approval.

| | |
|---|---|
| ***"Hyder Khoja" (signed)*** | ***"Kal Malhi" (signed)*** |
| Hyder Khoja | Kal Malhi |
| Director | Director |

Smythe CPA

## INDEPENDENT AUDITORS' REPORT

## TO THE SHAREHOLDERS OF BEYOND MEDICAL TECHNOLOGIES INC. (FORMERLY MICRON WASTE TECHNOLOGIES INC.)

### *Opinion*

We have audited the consolidated financial statements of Beyond Medical Technologies Inc. (the "Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the 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 management as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the management in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has an accumulated deficit of $22,340,894 as of December 31, 2020. As stated in Note 1, this event or condition, along with other matters as set forth in Note 1, indicate 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.

### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion & Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, and remain alert for indications that the other information appears to be materially misstated.

We obtained the Management’s Discussion & Analysis prior to the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. 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 management'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 management's financial reporting process.

### *Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Smythe LLP | **smythecpa.com**

**Vancouver**
1700 – 475 Howe St
Vancouver, BC V6C 2B3
**T:** 604 687 1231
**F:** 604 688 4675

**Langley**
305 – 9440 202 St
Langley, BC V1M 4A6
**T:** 604 282 3600
**F:** 604 357 1376

**Nanaimo**
201 – 1825 Bowen Rd
Nanaimo, BC V9S 1H1
**T:** 250 755 2111
**F:** 250 984 0886

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Sukhjit Gill.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 30 2021



**Vancouver**
1700 – 475 Howe St
Vancouver, BC V6C 2B3
**T:** 604 687 1231
**F:** 604 688 4675

**Langley**
305 – 9440 202 St
Langley, BC V1M 4A6
**T:** 604 282 3600
**F:** 604 357 1376

**Nanaimo**
201 – 1825 Bowen Rd
Nanaimo, BC V9S 1H1
**T:** 250 755 2111
**F:** 250 984 0886

**BEYOND MEDICAL TECHNOLOGIES INC.**
**(FORMERLY MICRON WASTE TECHNOLOGIES INC.)**
**Consolidated Statements of Financial Position**
(Expressed in Canadian Dollars)

| As at December 31 | Note | | 2020 | | 2019 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | | $ | 624,205 | $ | 2,784,525 |
| Marketable securities | 5 | | - | | 462,500 |
| Accounts receivable | 6 | | 97,009 | | 115,721 |
| Prepaid expenses and deposits | 7 | | 104,379 | | 63,375 |
| Inventory | 8 | | 369,053 | | - |
| **Total current assets** | | | 1,194,646 | | 3,426,121 |
| **Non-current assets** | | | | | |
| Restricted cash | 9 | | 28,750 | | - |
| Deposits | 7 | | 8,100 | | 7,500 |
| Property and equipment | 10 | | 443,648 | | 148,069 |
| Right-of-use assets | 11 | | 143,715 | | 215,573 |
| Development assets | 12 | | 25,000 | | 45,557 |
| **Total non-current assets** | | | 649,213 | | 416,699 |
| **TOTAL ASSETS** | | $ | 1,843,859 | $ | 3,842,820 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| **Current liabilities** | | | | | |
| Accounts payable and accrued liabilities | 14 | $ | 196,845 | $ | 74,779 |
| Lease liabilities | 11 | | 77,419 | | 72,050 |
| **Total current liabilities** | | | 274,264 | | 146,829 |
| **Non-current liabilities** | | | | | |
| Lease liabilities | 11 | | 87,589 | | 158,914 |
| **Total liabilities** | | | 361,853 | | 305,743 |
| **Shareholders' equity** | | | | | |
| Share capital | 13 | | 20,778,935 | | 18,468,935 |
| Reserves | 13 | | 3,043,965 | | 1,767,647 |
| Deficit | | | (22,340,894) | | (16,699,505) |
| **Total shareholders' equity** | | | 1,482,006 | | 3,537,077 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | $ | 1,843,859 | $ | 3,842,820 |

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

Approved and authorized for issue by the Board of Directors on April 30, 2021.

| | |
|---|---|
| *"Hyder Khoja"* | *"Kal Malhi"* |
| Hyder Khoja, Director | Kal Malhi, Director |

**BEYOND MEDICAL TECHNOLOGIES INC.**
**(FORMERLY MICRON WASTE TECHNOLOGIES INC.)**
**Consolidated Statements of Loss and Comprehensive Loss**
(Expressed in Canadian Dollars)

| Year ended December 31 | Note | 2020 | 2019 |
|---|---|---|---|
| **Revenues** | | $ 208,659 | $ - |
| **Cost of Goods Sold** | | 183,974 | - |
| **Gross Profit** | | 24,685 | - |
| **General and Administrative Expenses** | | | |
| Amortization | 10,11 | $ 142,360 | $ 120,269 |
| Business development | | 759,801 | 277,013 |
| Consulting fees / salaries | 14 | 587,634 | 1,513,335 |
| Office and general | | 132,414 | 199,632 |
| Professional fees | | 259,490 | 159,779 |
| Repairs and maintenance | | 19,687 | - |
| Research expenses | | 28,572 | 126,208 |
| Selling expenses | | 97,928 | - |
| Share-based compensation | 13 | 7,070 | 349,493 |
| Testing services | | 18,765 | - |
| Transfer agent and filing fees | | 46,145 | 55,269 |
| Loss from operations | | (2,099,866) | (2,800,998) |
| Interest income | | 7,047 | 54,218 |
| Foreign exchange gain | | 585 | 67 |
| Realized loss on sale of marketable securities | 5 | (17,870) | - |
| Fair value gain (loss) on marketable securities | 5 | (187,500) | 358,693 |
| Loss on sale of equipment | | (7,959) | (2,913) |
| Loss on acquisition of Covid Technologies | 4 | (4,240,055) | - |
| Impairment of property and equipment | | - | (20,245) |
| Impairment of development assets | | - | (2,485,491) |
| Impairment of deferred assets | | - | (469,802) |
| **Loss and comprehensive loss for the year** | | $ (6,520,933) | $ (5,366,471) |
| **Loss per share, basic and diluted** | | $ ( 0.14) | $ ( 0.14) |
| **Weighted average number of common shares outstanding** | | 47,446,267 | 39,511,841 |

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

**BEYOND MEDICAL TECHNOLOGIES INC.**
**(FPRMERLY MICRON WASTE TECHNOLOGIES INC.)**

## Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

| | Number of Shares | Share Capital | Option Reserve | Warrant Reserve | Deficit | **Total** |
|---|---|---|---|---|---|---|
| **Balance – December 31, 2018** | **38,711,841** | **$ 17,856,227** | **$ 1,605,899** | **$ 276,483** | **$ (11,522,054)** | **$ 8.216,555** |
| Shares issued – warrants exercised | 750,000 | 307,500 | - | - | - | 307,500 |
| Reclassification from warrant reserve to share capital | - | 245,616 | - | (245,616) | - | - |
| Shares issued – options exercised | 50,000 | 30,000 | - | - | - | 30,000 |
| Reclassification from option reserve to share capital | - | 29,592 | (29,592) | - | - | - |
| Share-based compensation | - | - | 349,493 | - | - | 349,493 |
| Expiration of warrants | - | - | - | (13,645) | 13,645 | - |
| Expiration of stock options | - | - | (164,387) | - | 164,387 | - |
| Forfeiture of stock options | - | - | (10,988) | - | 10,988 | - |
| Loss and comprehensive loss for the year | - | - | - | - | (5,366,471) | (5,366,471) |
| **Balance – December 31, 2019** | **39,511,841** | **$ 18,468,935** | **$ 1,750,425** | **$ 17,222** | **$ (16,699,505)** | **$ 3,537,077** |
| Shares issued on Covid Technologies acquisition | 16,500,000 | 2,310,000 | - | - | - | 2,310,000 |
| Replacement warrants issued on Covid Technologies acquisition | - | - | - | 2,148,792 | - | 2,148,792 |
| Share-based compensation | - | - | 7,070 | - | - | 7,070 |
| Expiration of warrants | - | - | - | - | - | - |
| Expiration of stock options | - | - | (831,436) | - | 831,436 | - |
| Forfeiture of stock options | - | - | (48,108) | - | 48,108 | - |
| Loss and comprehensive loss for the year | - | - | - | - | (6,520,933) | (6,520,933) |
| **Balance – December 31, 2020** | **56,011,841** | **$ 20,778,935** | **$ 877,951** | **$ 2,166,014** | **$ (22,340,894)** | **$ 1,482,006** |

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

**BEYOND MEDICAL TECHNOLOGIES INC.**
**(FORMERLY MICRON WASTE TECHNOLOGIES INC.)**
**Consolidated Statements of Cash Flows**
(Expressed in Canadian Dollars)

| Year ended December 31 | 2020 | 2019 |
|---|---|---|
| **Operating Activities** | | |
| Net loss for the year | $ (6,520,933) | $ (5,366,471) |
| **Items not involving the use of cash** | | |
| Amortization | 142,360 | 120,269 |
| Share-based compensation | 7,070 | 349,493 |
| Loss on sale of equipment | 7,959 | 2,913 |
| Impairment of property and equipment | - | 20,245 |
| Loss on acquisition of Covid Technologies (note 4) | 4,240,055 | - |
| Impairment of development assets | - | 2,485,491 |
| Impairment of deferred assets | - | 432,433 |
| Realized loss on sale of marketable securities | 17,870 | - |
| Fair value (gain) loss on marketable securities | 187,500 | (358,693) |
| Unrealized foreign exchange loss | 59 | 2,783 |
| **Changes in non-cash working capital** | | |
| Accounts receivable | 43,990 | 50,442 |
| Prepaid expenses | 168,565 | (21,874) |
| Inventory | (188,429) | - |
| Deposits – Long-term | (600) | 50,000 |
| Restricted cash | (28,750) | - |
| Accounts payable and accrued liabilities | 89,249 | (164,952) |
| Net cash used in operating activities | (1,834,035) | (2,397,921) |
| **Investing Activities** | | |
| Redemption of short-term investments | - | 3,000,000 |
| Proceeds from sale of marketable securities | 257,130 | - |
| Refunds from return of development assets | 18,557 | - |
| Proceeds from sale of property and equipment | 5,103 | 3,000 |
| Proceeds from sale of development assets | 2,000 | - |
| Additions to property and equipment | (234,112) | (33,389) |
| Cash advanced to Covid Technology | (550,000) | - |
| Cash acquired on acquisition of Covid Technology | 241,052 | - |
| Additions to development assets | - | (1,146,982) |
| Net cash provided by (used in) investing activities | (260,270) | 1,822,629 |
| **Financing Activities** | | |
| Proceeds from warrants exercised | - | 307,500 |
| Proceeds from stock options exercised | - | 30,000 |
| Lease liabilities payments | (65,956) | (56,467) |
| Net cash provided by financing activities from continuing operations | (65,956) | 281,033 |
| Foreign exchange effect on cash | (59) | (2,783) |
| Decrease in cash and cash equivalents | (2,160,320) | (297,042) |
| Cash and cash equivalents, beginning of year | 2,784,525 | 3,081,567 |
| **Cash and cash equivalents, end of year** | $ 624,205 | $ 2,784,525 |

| | | | | |
|---|---|---|---|---|
| **Supplemental cash flow information** | | | | |
| Non-cash financing activities: | | | | |
| Shares issued to acquire Covid Technologies (note 4) | $ | 2,310,000 | $ | - |
| Fair value of Covid Technologies replacement warrants (note 4) | $ | 2,148,792 | $ | - |
| Reclassification from warrants reserve to share capital | $ | - | $ | 245,616 |
| Reclassification from options reserve to share capital | $ | - | $ | 29,592 |
| Reclassification from warrants reserve to deficit | $ | - | $ | 13,645 |
| Reclassification from options reserve to deficit | $ | 879,544 | $ | 175,375 |
| Development assets included in accounts payable and accrued liabilities | $ | - | $ | - |
| Interest paid | $ | | $ | - |
| Taxes paid | $ | | $ | - |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Beyond Medical Technologies Inc. (formerly "Micron Waste Technologies Inc."), (the "Company", "Beyond" or "Micron"), was incorporated on November 29, 2006 pursuant to the *Business Corporations Act*, British Columbia. The registered office of the Company is located at Suite 1500 – 1055 West Georgia Street, Vancouver, B.C. V6E 4N7.
Its head office is located at Suite 915, 700 West Pender Street, Vancouver, B.C. V6C 1G8.

The Company's principal business activity has been the development and commercialization of an on-site treatment system that can turn organic waste into clean water that meets municipal effluent discharge standards. During 2020, the Company has started the business of manufacturing medical grade face masks through its newly acquired wholly-owned subsidiary.

On May 12, 2020, the Company completed a consolidation of its common shares on the basis of one post-consolidated common share for every two pre-consolidation common shares (the "Consolidation"). All the figures as to the number of common shares, stock options, warrants, prices of issued shares, exercise prices of stock options and warrants, as well as loss per share, in the consolidated financial statements are post-consolidation amounts and the prior year comparatives have been retroactively restated to present the post-consolidation amounts.

During the year ended December 31, 2020 acquired all of the outstanding securities of Covid Technologies Inc. ("Covid Technologies"). Covid Technologies is a privately held British Columbia corporation based in Vancouver, BC focused on the manufacturing of personal protective equipment ("PPE").

Effective August 26, 2020, Covid Technologies changed its name to Micron Technologies Inc. ("Micron Technologies").

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## 1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

Subsequent to the year ended December 31, 2020, to reflect the transformation of the Company's strategic focus that took place in the past year to combat COVID-19 by manufacturing and distributing medical grade personal protective equipment and to align the corporate identity with the Company's new main strategy, on January 12, 2021, the Company changed its name from "Micron Waste Technologies Inc." to "Beyond Medical Technologies Inc.". Its common shares also began trading on the Canadian Securities Exchange ("CSE") under the new symbol "DOCT".

The Company has an accumulated deficit of $22,340,894 (December 31, 2019 – $16,699,505). These consolidated financial statements have been prepared under the assumption of a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. However, there are material uncertainties that cast significant doubt on the Company's ability to continue as a going concern.

The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations and the ability of the Company to raise additional capital. Without additional financing, the Company may not be able to fund its ongoing operations and complete development activities. Management anticipates that the Company will continue to raise adequate funding through equity or debt financings. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary to the carrying values of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

### Impact of COVID-19

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in government worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness.

The Company's wholly-owned subsidiary, Micron Technologies, has been manufacturing and selling three-ply medical grade face masks since August 2020. Subsequent to the year ended December 31, 2020, Micron Technologies' N95 Model 8800 face masks have been approved by Health Canada and the US Food and Drug Administration. Additionally, the N95 Model 8800 face masks have passed testing with Kinetrics Analytical and Environmental Laboratories. Accordingly, Micron Technologies is confident that its N95 Model 8800 face masks will obtain medical-grade certification from the National Institute for Occupational Safety and Health after the first quarter of 2021. There are currently a limited number of NIOSH approved medical face mask manufacturers and the demand for these masks in outpacing supply.

## 2. BASIS OF PRESENTATION

### Statement of compliance

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). They have been prepared on a historical cost basis, except for certain financial instruments, which are stated at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for the cash flow information

## 2. BASIS OF PRESENTATION (continued)

**Statement of compliance** (continued)

The significant accounting polices set out in note 3 have been applied consistently to the years presented.

**Approval of the consolidated financial statements**

The consolidated financial statements of the Company for the year ended December 31, 2020 were approved and authorized for issuance by the Board of Directors on April 30, 2021.

## 3. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Consolidation**

The consolidated financial statements include the accounts of the Company and its wholly owned Canadian subsidiaries, Micron Technologies Holding Inc. (since October 19, 2017) and Micron Technologies Inc. (since July 8, 2020), which are entities over which the Company has control. Control exists when the Company has the power and ability, directly or indirectly, to direct the relevant activities of an entity so as to obtain benefit from its activities. Subsidiaries are fully consolidated from the date that control commences until the date the control ceases. The accounting policies of the Company's subsidiaries have been aligned with the policies adopted by the Company. When the Company ceases to control a subsidiary, the financial statements of the subsidiary are de-consolidated.

All intercompany transactions and balances have been eliminated on consolidation.

**Foreign currencies**

The reporting and functional currency of the Company and its subsidiaries is the Canadian dollar ("CAD"). Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction, except amortization, which is translated at the rates of exchange applicable to the related assets. Monetary assets and liabilities that are denominated in foreign currencies are translated at the exchange rate prevailing at each reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the initial transaction. Non-monetary items that are measured at fair values are reported at the exchange rate on the date when fair values are determined.

**Cash and Cash Equivalents**

Cash includes deposits held with banks that are available on demand. Cash equivalents consisted of cashable guaranteed investment certificates that were readily convertible into a known amount of cash within 90 days or less.

**Revenue recognition**

Revenue from the sale of personal protective equipment is recognized when all the performance obligations identified in the customer contract, typically consisting of a sales order or a sales invoice, are satisfied. The performance obligations in a typical sale order is at the point in time when control transfers and the obligation has been fulfilled, which is upon shipment to the customer. The amount of revenue recognized is based on a contractual price and is recorded net of sales discounts, if any.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial Instruments

The Company's financial instruments are accounted for as follows under IFRS 9:

| | IFRS 9 |
|---|---|
| **Financial Asset** | |
| Cash and cash equivalents | FVTPL |
| Marketable securities | FVTPL |
| Accounts receivable | Amortized cost |
| Restricted cash | FVTPL |
| Deposits | Amortized cost |
| **Financial Liability** | |
| Accounts payable and accrued liabilities | Amortized cost |
| Lease liabilities | Amortized cost |

### Financial Assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Assessment and decision on the business model approach used is an accounting judgement.

*Financial assets measured at amortized costs*

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for such financial assets, is to hold the assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial Assets** (continued)

*Financial assets measured at fair value through other comprehensive income (“FVTOCI”)*

For financial assets that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments at FVTOCI, with all subsequent changes in fair value being recognized in other comprehensive income. This election is available for each separate investment. Under this new FVTOCI category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. On disposal of the investment the cumulative change in fair value is not recycled to profit or loss. The Company does not have any financial assets designated as FVTOCI.

*Financial assets measured at fair value through profit or loss (“FVTPL”)*

A financial asset measured at FVTPL is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

*Impairment*

In relation to the impairment of financial assets, the Company uses an expected credit loss model. The expected credit loss model requires the Company to account for expected credit losses (“ECL”) and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

**Financial Liabilities**

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

**Fair Value Hierarchy**

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

- Level 1 – inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability are not based on observable market data.

Cash and cash equivalents, accounts receivable, restricted cash, accounts payables and accrued liabilities are recorded at their carrying amounts and approximate their fair values due to their short- term nature.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices. A change to these assumptions could impact the Company's inventory valuation and impact gross profits.

### Property and Equipment

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company.

Property and equipment are subsequently measured at cost less accumulated amortization, less any accumulated impairment losses.

The Company utilizes the declining balance method of amortization. The amortization rates applicable to each category of property and equipment are as follows;

| | | |
|---|---|---|
| Computer equipment | declining balance | 30% |
| Furniture | declining balance | 20% |
| Leasehold | straight-line basis | 5 years |
| | | |
| Manufacturing equipment | | |
| Manufacturing | straight-line basis | 5 - 8 years |

Where an item of property and equipment comprises significant components with different useful lives, the components are accounted for as separate items of plant and equipment.

The depreciation method, useful life and residual values are assessed annually. An item of equipment is derecognized upon disposal 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 profit or loss in the consolidated statements of loss and comprehensive loss.

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Research and Development Expenditures**

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Expenditures capitalized may include the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use – also see abovementioned Development Assets. Other development expenditures are recognized in profit or loss as incurred.

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss when incurred.

**Intangible Assets**

Intangible assets can be capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset.

Intangible assets include the patent pending technology acquired by the Company and the patent application costs associated with this internally generated intangible asset. To determine if the future economic benefit is probable depends on the likelihood of the patent application success and that in turn depends on the management's judgement and knowledge.

Intangible assets acquired separately are measured on initial recognition at cost. Licenses acquired separately are measured on initial recognition at fair value. The cost of intangible assets acquired in an asset acquisition is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. The useful lives of intangible assets are assessed as either finite or indefinite.

Development assets include costs associated with the Company's internally developed machines, which are measured at cost less accumulated amortization and accumulated impairment losses. Costs include equipment, tools and systems that are purchased or developed to build the development assets.

Development assets are amortized at 30% using the declining-balance method. Amortization is not considered for development assets when not in use.

Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The Company amortizes its license over five years using the straight-line basis. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. A change in the expected useful life of the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the Cash Generating Unit ("CGU") level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Amortization on an intangible asset begins once the asset is available for use.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Leased Assets**

At inception, the Company assesses whether a contract contains an embedded lease. A contract contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company, as lessee, is required to recognize a right-of-use asset ("ROU asset"), representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments.

The Company may apply the exemption not to recognize ROU asset and lease liabilities for leases with less than 12 months of lease term and leases for low-value assets, which is made on an asset by asset basis.

The Company recognizes a ROU asset and a lease liability at the commencement of the lease. The ROU asset is initially measured based on the present value of lease payments, plus initial direct cost, less any incentives received. It is subsequently measured at cost less accumulated amortization, impairment losses and adjusted for certain remeasurements of the lease liability. The ROU asset is amortized from the commencement date over the shorter of the lease term or the useful life of the underlying as set. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is the rate which the operation would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment.

Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leased Assets (continued)

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Variable lease payments that do not depend on an index or a rate not included in the initial measurement of the ROU asset and lease liability are recognized as an expense in profit or loss the in the period in which they are incurred.

### 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.

### Share Capital

Instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

### Share-based Payment

The Company grants share options to acquire shares of the Company to directors, officers, employees and consultants. The fair value of options granted is recognized as share-based payments with a corresponding increase in option reserves. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value of share-based payments to employees is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

Consideration received on the exercise of stock options is recorded as share capital and the related share-based expense reserve is transferred to share capital. For those options that expire or are cancelled, the recorded fair value in share-based expense reserve is transferred to deficit.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Warrants Issued in Equity Financing Transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction.

The Company uses the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the share issuance date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

From time to time in connection with private placements, the Company issues compensatory warrants to agents ("Agent Warrants") as commission for services. Awards of Agent Warrants are accounted for in accordance with the fair value method of accounting and result in share issue costs and a credit to reserves when Agent Warrants are issued. The fair value of Agent Warrants is measured using the Black-Scholes option pricing model that requires the use of certain assumptions regarding the risk-free market interest rate, expected volatility in the price of the underlying stock, and expected life of the Agent Warrants.

Consideration received upon exercise of warrants is credited to share capital and the related residual value is transferred from warrant reserve to share capital. If warrants expire unexercised, the related fair value is transferred to deficit.

### Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing net earnings (loss) attributable to common shareholders by the weighted average number of outstanding common shares for the period. Diluted earnings (loss) per share is calculated using the treasury stock method. In computing diluted earnings per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants. Under the treasury stock method, the number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In periods where a net loss is reported outstanding options and warrants are excluded from the calculation of diluted loss per share, as they are anti-dilutive. Diluted loss per share is equal to the basic loss per share as net losses were reported during years presented.

### Current and Deferred Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss, except for items recognized directly in equity or in other comprehensive income.

(a) Current Tax

Current tax is the expected 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 years.

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Current and Deferred Income Taxes** (continued)

(b) Deferred Tax

Deferred income tax is provided for based on temporary differences, at the end of each reporting period, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

**Impairment of Non-financial Assets**

At each reporting date, 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, 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.

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Impairment of Non-financial Assets**

The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value less costs to sell is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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 in profit or loss for the period.

**Significant Accounting Judgments, Estimates and Assumptions**

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. However, the increased carrying amount cannot 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.

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period.

Actual outcomes could differ from these estimates, and as such, the estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both the current and future periods.

Following are the accounting polices subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position.

**(a) Estimated useful lives of property and equipment**

The estimated useful lives of property and equipment, which is included in the consolidated statements of financial position, will impact the amount and timing of the related depreciation included in profit or loss.

**(b) Treatment of development assets**

Costs to develop products are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 *Intangible Assets* are met. Those criteria require that the product is technically and economically feasible, the Company has the intention and ability to use the asset, and how the asset will generate future benefits. Management assesses the capitalization of development costs based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions.

Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible. If new information becomes available and suggests future economic benefits are unlikely, the amount capitalized in excess over the recoverable value is written off to profit or loss in the period the new information becomes available.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Significant Accounting Judgments, Estimates and Assumptions (continued)

**(b) Treatment of development assets** (continued)

At each reporting date, the Company assesses its development assets for possible impairment, to determine if there is any indication that the carrying amounts of the assets may not be recoverable. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters. A material adjustment to the carrying value of the Company's development assets could arise as a result of changes to these estimates and assumptions.

**(c) Deferred income taxes**

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement. In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the financial statements.

**(d) Going concern**

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

**(e) Determination of control in business acquisition**

The determination of the acquirer in business acquisitions is subject to judgment and requires the Company to determine which party obtains control of the combining entities. Management applies judgment in determining control by assessing the following three factors: whether the Company has power; whether the Company has exposure or rights to variable returns; and whether the Company has the ability to use its power to affect the amount of its returns. In exercising this judgment, management reviewed the representation on the Board of Directors and key management personnel, the party that initiated the transaction, and each of the entities' activities.

The assessment of whether an acquisition constitutes a business is also subject to judgment and requires the Company to review whether the acquired entity contains all three elements of a business, including inputs, processes and the ability to create output. Management has had to apply judgments relating to the asset purchase transaction with the acquisitions of Covid Technologies with respect to whether the acquisition was a business combination or an asset acquisition.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Significant Accounting Judgments, Estimates and Assumptions** (continued)

### (f) Share-based payment

The fair value of stock options granted, and compensatory warrants is measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the option, expected volatility, expected life of the options, expected dividends and the risk-free rate. The Company estimates volatility based on historical share price, excluding specific time frames in which volatility was affected by specific transactions that are not considered to be indicative of the entities' expected share price volatility. The expected life of the options is based on historical experience and general option holder behavior. Dividends were not taken into consideration as the Company does not expect to pay dividends. Management also makes an estimate of the number of options that will forfeit, and the rate is adjusted to reflect the actual number of options that actually vest.

### (g) Leases

Management uses estimation in determining the incremental borrowing rate used to measure the lease liability, specific to the asset, underlying currency and geographic location.

(Expressed in Canadian Dollars, unless stated otherwise)

## 4. ACQUISITION OF COVID TECHNOLOGIES

On May 18, 2020, the Company and Covid Technologies entered into a share exchange agreement whereby the Company would acquire 100% of the issued and outstanding shares of Covid Technologies, including its dilutive securities, in exchange for securities of the Company. Covid Technologies is in the business of manufacturing and sale of PPE.

The Company made a loan payment, on terms mutually agreed to by both parties, to Covid Technologies in the aggregate sum of $250,000 to be used as working capital during the negotiation of the share exchange agreement.

On July 3, 2020, the Company provided further working capital to Covid Technologies by making another loan payment in the amount of $300.000. Upon the closing of the Acquisition on July 8, 2020, the Company acquired all of the issued and outstanding common shares of Covid Technologies, in consideration for the issuance of 16,500,000 common shares and 16,500,000 warrants (“Replacement Warrants”) of the Company. Each Replacement Warrant had an exercise price and expiration date equal to the exercise price and expiration date of Covid Technologies warrants that were cancelled. The fair value of the Replacement Warrants was determined using a Black-Scholes option pricing model.

For accounting purposes, the Acquisition has been recorded as an asset acquisition as Covid Technologies did not meet the definition of a business at the Acquisition date, as defined in IFRS 3, Business Combinations.

| | |
|---|---|
| Consideration paid: | |
| Fair value of 16,500,000 Common shares of the Company issued | $ 2,310,000 |
| Fair value of 16,500,000 Replacement Warrants issued | 2,148,792 |
| Transaction costs | 15,692 |
| **Total consideration paid** | **$ 4,474,484** |
| | |
| Net identifiable assets acquired: | |
| Cash | 241,052 |
| Taxes recoverable and other receivables | 25,277 |
| Prepaids | 209,568 |
| Inventory | 172,649 |
| Manufacturing equipment | 145,031 |
| Accounts payable and accrued liabilities | (9,148) |
| Loans payable | (550,000) |
| **Identifiable assets acquired** | **$ 234,429** |
| | |
| **Loss on acquisition of Covid Technologies** | **$ 4,240,055** |

The Company did not acquire any identifiable intangible assets as part of the acquisition of COVID Technologies. As a result, the difference between the consideration paid of $4,474,484 and the net assets acquired of $234,429 was recorded in profit or loss during the year ended December 31, 2020.

The Company used the Black-Scholes option pricing model to determine the fair value of the 16,500,000 Replacement Warrants issued with the following weighted average assumptions:

| | |
|---|---|
| Risk-free interest rate | 0.32% |
| Expected dividend yield | 0.00% |
| Expected stock price volatility | 280.25% |
| Expected life in years | 4.81 |
| Forfeiture rate | 0.00% |

(Expressed in Canadian Dollars, unless stated otherwise)

## 5. MARKETABLE SECURITIES

As at December 31, 2020, the Company held nil (December 31, 2019 - 2,500,000) common shares and nil (December 31, 2019 - 1,250,000) warrants of Palladium Ore Mining Inc. ("POM"). The POM warrants expired on February 28, 2020.

During the year ended December 31, 2020, the Company sold all of the POM shares for net proceeds of $257,130. The cost base for the POM shares was $275,000, which was the acquisition cost recognized for the POM shares at March 7, 2018. The sale of the POM shares resulted in a realized loss on sale of marketable securities of $17,870 and an unrealized loss on the fair value of marketable securities of $187,500 for the year ended December 31, 2020.

## 6. ACCOUNTS RECEIVABLE

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Accounts receivable | $ 38,584 | $ 46,251 |
| Accrued interest receivable | 4,653 | 35,082 |
| GST receivable | 53,772 | 34,388 |
| | **$ 97,009** | **$ 115,721** |

## 7. PREPAID EXPENSES AND DEPOSITS

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Business development | $ 30,598 | $ 34,800 |
| Deposits on inventories | 38,236 | - |
| Employees' advances | - | 2,752 |
| Office and general | 28,606 | 20,778 |
| Professional fees – Legal retainer | 6,939 | 2,814 |
| Transfer agent and filing fees / Shareholders communication | - | 2,231 |
| **Total Prepaid Expenses and Deposits** | **$ 104,379** | **$ 63,375** |
| **Total Deposits – Long-term** | **$ 8,100** | **$ 7,500** |

## 8. INVENTORY

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Finished goods | $ 120,600 | $ - |
| Raw materials | 248,453 | - |
| | **$ 369,053** | **$ -** |

Included in cost of goods sold is $116,181 (2019 - $Nil) of direct material costs.

## 9. RESTRICTED CASH

As at December 31, 2020, the Company classified $28,750 as restricted cash. This amount is held as collateral for the Company's corporate credit cards and is invested in GICs at a rate of prime less 2.20%.

(Expressed in Canadian Dollars, unless stated otherwise)

## 10. PROPERTY AND EQUIPMENT

| | Leasehold improvements | Manufacturing equipment | Furniture / Equipment | Computer equipment | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance at December 31, 2018 | $ 162,830 | $ - | $ 33,156 | $ 14,107 | $ 210,093 |
| Additions | 17,346 | - | 16,043 | - | 33,389 |
| Disposal | - | - | (6,425) | - | (6,425) |
| Impairment | - | - | (19,239) | (9,389) | (28,628) |
| Balance at December 31, 2019 | $ 180,176 | $ - | $ 23,535 | $ 4,718 | $ 208,429 |
| Additions | - | 379,143 | - | - | 379,143 |
| Disposals | - | - | (23,535) | - | (23,535) |
| Balance at December 31, 2020 | $ 180,176 | $ 379,143 | $ - | $ 4,718 | $ 564,037 |
| **Accumulated Amortization** | | | | | |
| Balance at December 31, 2018 | $ 16,283 | $ - | $ 5,123 | $ 6,471 | $ 27,877 |
| Amortization expense | 34,734 | - | 6,965 | 2,227 | 43,926 |
| Disposal | - | - | (512) | - | (512) |
| Impairment | - | - | (4,986) | (5,945) | (10,931) |
| Balance at December 31, 2019 | $ 51,017 | $ - | $ 6,590 | $ 2,753 | $ 60,360 |
| Amortization | 36,903 | 29,127 | 3,883 | 589 | 70,502 |
| Disposal | - | - | (10,473) | - | (10,473) |
| Balance at December 31, 2020 | $ 87,920 | $ 29,127 | $ - | $ 3,342 | $ 120,389 |
| **Carrying Amounts** | | | | | |
| December 31, 2019 | $ 129,159 | $ - | $ 16,945 | $ 1,965 | $ 148,069 |
| December 31, 2020 | $ 92,256 | $ 350,016 | $ - | $ 1,376 | $ 443,648 |

## 11. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company has a lease agreement for its Innovation Centre in Delta, British Columbia. The continuity of the right-of-use asset (“ROU asset”) and lease liability for the year ended December 31, 2020 is as follows:

(Expressed in Canadian Dollars, unless stated otherwise)

## 11. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

| **Right-of-use asset** | | |
|---|---|---|
| Value of right-of-use asset as at January 1, 2019 | $ | 287,431 |
| Amortization | | (71,858) |
| Value of right-of-use asset as at December 31, 2019 | | 215,573 |
| Amortization | | (71,858) |
| **Value of right-of-use asset at December 31, 2020** | **$** | **143,715** |

| **Lease liability** | | |
|---|---|---|
| Lease liability recognized as of January 1, 2019 | $ | 287,431 |
| Lease payments | | (85,843) |
| Lease interest | | 29,376 |
| Lease liability recognized as of December 31, 2019 | | 230,964 |
| Lease payments | | (90,943) |
| Lease interest | | 24,987 |
| **Lease liability recognized as at December 31, 2020** | **$** | **165,008** |
| | | |
| Current portion | $ | 77,419 |
| Long-term portion | | 87,589 |
| | **$** | **165,008** |

## 12. DEVELOPMENT ASSETS

Development assets comprise of prototype equipment, which the Company has constructed or was in the process of constructing, that was intended to transform organic waste into clean water and meets municipal effluent discharge standards.

| | | |
|---|---|---|
| **Cost** | | |
| Balance at December 31, 2018 | $ | 1,428,424 |
| Additions | | 1,102,624 |
| Impairment | | (2,485,491) |
| Balance at December 31, 2019 | | 45,557 |
| Disposals | | (20,557) |
| Balance at December 31, 2020 | $ | 25,000 |
| | | |
| **Accumulated Amortization** | | |
| Balance at December 31, 2018 – December 31, 2020[(1)] | | - |
| | | |
| **Carrying Amounts** | | |
| December 31, 2019 | $ | 45,557 |
| December 31, 2020 | $ | 25,000 |

(1) No amortization has been recognized to date as the development assets were not available for use.

## 13. SHARE CAPITAL AND RESERVES

### Share Capital

**(a) Authorized:** Unlimited number of common shares without par value.

**(b) Issued and Outstanding**:

On May 12, 2020, the Company consolidated its common shares on the basis of one post-consolidated common share for two pre-consolidation common shares. All the figures as to the number of common shares, stock options, warrants, prices of issued shares, exercise prices of stock options and warrants, as well as loss per share, in the consolidated financial statements are post-consolidation amounts and the prior year comparatives have been retroactively restated to present the post-consolidation amounts.

As at December 31, 2020, there were 56,011,841 (2019 – 39,511,841) common shares issued and outstanding. Details of common shares are as follows:

**During the year ended December 31, 2020:**

- On July 8, 2020, the Company issued 16,500,000 common shares in connection with the completion of the acquisition of Covid Technologies (note 4). The Company also issued 16,500,000 replacement warrants which were valued using a Black-Scholes option pricing model on the date of acquisition. The fair value was determined to be $2,148,792.

**For the year ended December 31, 2019:**

- 750,000 common shares were issued in connection with the exercise of share purchase warrants for gross proceeds of $307,500. The historical fair value allocated to these warrants on issuance date of $245,616 was reclassified from reserves to share capital.

- 50,000 common shares were issued in connection with the exercise of stock options for gross proceeds of $30,000. The historical fair value allocated to these stock options on issuance date of $29,592 was reclassified from reserves to share capital.

**(c) Escrow Shares**

Pursuant to the policies of the CSE, an escrow agreement was entered into in connection with the reverse acquisition completed during the year ended December 21, 2017. There were 4,131,750 shares held in escrow.

Under the escrow agreement, the remaining shares held in escrow would be released from escrow in fifteen percent tranches during consecutive six-month intervals over a 36-month period following the completion of the amalgamation transaction on October 19, 2017. The final release of the escrow shares occurred on October 26, 2020. As at December 31, 2020 the Company had Nil (2019– 2,449,050) common shares held in escrow.

(Expressed in Canadian Dollars, unless stated otherwise)

## 13. SHARE CAPITAL AND RESERVES (continued)

**Share Capital** (continued)

**Share Purchase Warrants**

The changes in warrants outstanding are as follows:

| | Number of Warrants | Weighted Average Exercise Price |
|---|---|---|
| Balance at December 31, 2018 | 16,979,836 | $ 0.73 |
| Exercised | (750,000) | 0.41 |
| Expired | (287,500) | 0.49 |
| Balance, December 31, 2019 | 15,942,336 | $ 0.74 |
| Issued | 16,500,000 | 0.10 |
| Expired | (3,358,236) | 1.00 |
| Balance, December 31, 2020 | 29,084,100 | $ 0.36 |

As at December 31, 2020, the Company had the following warrants outstanding:

| Date of Expiry | Number of Warrants Outstanding | Exercise Price | Weighted Average Remaining Life in Years |
|---|---|---|---|
| April 13, 2022 | 5,575,000 | 0.50 | 1.28 |
| May 1, 2022 | 2,000,000 | 0.50 | 1.33 |
| June 1, 2022(1) | 5,009,100 | 1.00 | 1.42 |
| April 28, 2025 | 16,500,000 | 0.10 | 4.33 |
| Balance at December 31, 2020 | 29,084,100 | $ 0.36 | 3.04 |

(1) On May 17, 2019, the expiry date of an aggregate of 5,009,100 common shares purchase warrants issued pursuant to a non-brokered private placement in June 2017 were amended from June 1, 2019 to June 1, 2022 with all other terms remaining the same.

**Stock Options**

The Company has a stock option plan (the "Plan") whereby the Company is authorized to grant options to officers and directors, insiders, employees and consultants at an exercise price determined by reference to the market value on the date of the grant. The number of shares available for options to be granted under the Company's Plan is 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's shares as calculated on the date of grant. Options granted under the Plan vest immediately or over a period of time at the discretion of the Board of Directors.

Under the Plan, the number of shares reserved for issuance to any one optionee will not exceed 5% of the then issued and outstanding shares. The number of shares reserved for issuance to consultants will not exceed 2% of the then issued and outstanding shares. The number of shares reserved for issuance to employees or consultants engaged in investor relations activities will not exceed 2% of then issued and outstanding shares and must vest in stages over 12 months with no more than 25% of the options vesting in any three-month period. The options are non-assignable and non-transferable and will be exercisable up to 10 years from the date of grant. The minimum exercise price of an option granted under the Plan must not be less than the discounted market price, as such term is defined in the policies of the CSE and other applicable regulatory authorities.

(Expressed in Canadian Dollars, unless stated otherwise)

## 13. SHARE CAPITAL AND RESERVES (continued)

**Share Capital** (continued)

**Stock Options** (continued)

During the year ended December 31, 2020:

- A total of 1,282,500 incentive stock options with a weighted average exercise price of $0.65 per share expired 30 days following the terminations of employees and a consultant pursuant to the Plan. They included stock options from the following stock options grants:
  - 837,500 stock options granted on October 25, 2017 with an exercise price of $0.60 per share;
  - 150,000 stock options granted on April 25, 2018 with an exercise price of $0.60 per share;
  - 82,500 stock options granted on July 6, 2018 with an exercise price of $1.10 per share;
  - 212,500 stock options granted on April 8, 2019 with an exercise price of $0.72 per share.

- On February 15, 2020, following the termination of a consultant, the Company forfeited a total of 100,000 incentive stock options granted on April 8, 2019 but not yet vested.

During the year ended December 31, 2019:

- On April 8, 2019, the Company granted a total of 600,000 incentive stock options to an employee, officers and consultants of the Company with an exercise price of $0.72 per share. The options expire on April 8, 2024.

- A total of 402,500 incentive stock options with a weighted average exercise price of $0.49 per share expired 30 days following the terminations of employees and a consultant pursuant to the Plan. They included stock options from the following stock options grants:
  - 100,000 stock options granted on October 25, 2017 with an exercise price of $0.60 per share;
  - 2,500 stock options granted on April 15, 2018 with an exercise price of $0.60 per share;
  - 62,500 stock options granted on July 6, 2018 with an exercise price of $1.10 per share;
  - 237,500 stock options granted on December 20, 2018 with an exercise price of $1.10 per share.

- On September 9, 2019, following the termination of an employee, the Company forfeited a total of 75,000 incentive stock options granted on December 20, 2018 but not yet vested.

The changes in stock options outstanding are as follows:

| | Number of Stock Options | Weighted Average Exercise Price |
|---|---|---|
| Balance at December 31, 2018 | 2,672,500 | $ 0.74 |
| Granted | 600,000 | 0.72 |
| Exercised(1) | (50,000) | 0.60 |
| Expired | (402,500) | 0.97 |
| Forfeited | (75,000) | 1.10 |
| Balance at December 31, 2019 | 2,745,000 | $ 0.69 |
| Expired | (1,282,500) | 0.65 |
| Forfeited | (100,000) | 0.72 |
| Balance at December 31, 2020 | 1,362,500 | $ 0.73 |

(1) The weighted average share price on the date of exercise for options exercised was $0.90.

(Expressed in Canadian Dollars, unless stated otherwise)

## 13. SHARE CAPITAL AND RESERVES (continued)

**Share Capital** (continued)

**Stock Options** (continued)

As at December 31, 2020, the Company had the following stock options outstanding and exercisable:

| Date of Grant | Date of Expiry | Outstanding and Exercisable | Exercise Price | Weighted Average Remaining Life in Years |
|---|---|---|---|---|
| October 25, 2017 | October 25, 2022 | 787,500 | $ 0.60 | 1.82 |
| July 6, 2018 | July 6, 2023 | 287,500 | 1.10 | 2.51 |
| April 8, 2019(1) | April 8, 2024 | 287,500 | 0.72 | 3.27 |
| Balance at December 31, 2020 | | 1,362,500 | $ 0.73 | 2.27 |

**Share-based Payments**

When the Company issues stock options, it records a share-based payment expense in the year or period which the options are granted and/or vested. The expense is estimated using the following assumptions. The expected volatility assumption is based on the historical and implied volatility of the Company's common share price on the CSE. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the expected life of the stock options. The Company used historical data to estimate option exercise, forfeiture and employee termination within the valuation model. The Company has not paid and does not anticipate paying dividends on its common shares. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0% in determining the share-based payment expense recorded in the accompanying consolidated statements of loss and comprehensive loss.

During the year ended December 31, 2020, the number of stock option granted by the Company was Nil (2019 – 600,000 at an exercise price of $0.72 per share). 200,000 of the 600,000 stock options granted in 2019 were vested in 2020. The fair value per share on grant date was $0.2759. The total fair value of these stock options was $7,070 (2019 – $349,493) which was recognized as share-based payment expense for the year.

(Expressed in Canadian Dollars, unless stated otherwise)

## 14. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Key management personnel include senior officers and directors of the Company.

Compensation to key management personnel is as follows:

| Year ended December 31 | | 2020 | | 2019 |
|---|---|---|---|---|
| Consulting fees – key management personnel[1] | $ | 432,992 | $ | 669,806 |
| Share-based compensation (note 13) | | - | | 137,946 |
| | $ | 432,992 | $ | 807,752 |

Related party transactions not included in compensation to key management personnel are as follows:

| Year ended December 31 | | 2020 | | 2019 |
|---|---|---|---|---|
| Consulting fees – other[3] | $ | 7,000 | $ | 2,000 |
| Rent[2] | | 36,000 | | 27,000 |
| | $ | 43,000 | $ | 29,700 |

Accounts payable and accrued liabilities of the Company include the following amounts due to related parties:

| | | December 31, 2020 | | December 31, 2019 |
|---|---|---|---|---|
| Key management personnel | $ | 10,000 | $ | 15,705 |

(1) Fees paid to management personnel or companies related to management personnel:
- $240,000 (2019 - $240,000) to a company owned by the Chairman and Director;
- $30,000 (2019 - $120,000) to a company owned by former Chief Technology Officer and Director who resigned from his positions subsequent to the year ended December 31, 2020 and effective February 11, 2021;
- $nil (2019 - $193,806) to a company owned by the former President / Chief Executive Officer who resigned effective January 2, 2020;
- $nil (2019 - $5,000) to the former Chief Executive Officer who resigned effective January 13, 2019;
- $72,000 (2019 - $72,000) to a company owned by the Chief Financial Officer;
- $nil (2019 - $27,000) to a company owned by a Director who resigned effective December 23, 2019;
- $18,000 (2019 - $12,000) to a Director;
- $18,000 (2019 - $nil) to a Director who was appointed to the Board effective January 2, 2020:
- $54,992 (2019 - $nil) to a company owned by a Director who was appointed to the Board effective July 8, 2020.

(2) Fees of $36,000 (2019 - $27,000) for office rent paid to a company that the Chairman and director of the Company and a senior officer are principals.

(3) Fees of $7,000 (2019 - $2,000) for tax services paid to a partnership which a senior officer is a partner.

(Expressed in Canadian Dollars, unless stated otherwise)

## 15. SEGMENTED INFORMATION

The Company operates in two business segments with operations and long-term assets in Canada. The two business segments include the manufacture of PPE and the development and commercialization of on-site treatment systems that can turn organic waste into clean water that meets municipal effluent discharge standards. All of the Company's assets and expenditures are located and incurred in Canada. The Company's long-term assets are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Restricted cash | $ 28,750 | $ - |
| Deposits – Long-term | 8,100 | 7,500 |
| Property and equipment | 443,648 | 148,069 |
| Right-of-use assets | 143,715 | 215,573 |
| Development assets | 25,000 | 45,557 |
| | $ 649,213 | $ 416,699 |

At December 31, 2020, long-term assets of $378,766 relates to the PPE operating segment (December 31, 2019 - $nil) and $270,447 (December 31, 2019 - $416,699) relates to the waste treatment operating segment. During the year ended December 31, 2020, there was no revenue related to the waste treatment operating segment.

(Expressed in Canadian Dollars, unless stated otherwise)

## 16. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27.00% (2019 - 27.00%) to income before income taxes. The reasons for the differences are as follows:

| | | 2020 | | 2019 |
|---|---|---|---|---|
| Loss before income taxes | $ | (6,520,933) | $ | (5,366,471) |
| Statutory income tax rate | | 27.00% | | 27.00% |
| Expected income tax recovery | | (1,760,652) | | (1,448,947) |
| Share issuance costs | | - | | - |
| Non-deductible recoveries and other | | 46,806 | | (45,662) |
| Loss on acquisition of Covid Technologies | | 1,110,252 | | - |
| Change in unrecognized deductible temporary differences | | 603,594 | | 1,494,609 |
| **Total income tax recovery** | **$** | **-** | **$** | **-** |

As at December 31, 2020, the Company has unrecognized tax losses of $14,712,000 (2019 - $12,677,000) for which no deferred tax asset is recognized.

The Company's unrecognized unused non-capital losses have the following expiry dates:

| | | |
|---|---|---|
| 2027 | $ | 348,000 |
| 2028 | | 393,000 |
| 2029 | | 11,000 |
| 2030 | | 3,170,000 |
| 2031 | | 1,168,000 |
| 2032 | | 276,000 |
| 2033 | | 245,000 |
| 2034 | | 253,000 |
| 2035 | | 512,000 |
| 2036 | | 926,000 |
| 2037 | | 945,000 |
| 2038 | | 2,037,000 |
| 2039 | | 2,452,000 |
| 2040 | | 1,976,000 |
| | $ | 14,712,000 |

(Expressed in Canadian Dollars, unless stated otherwise)

## 17. FINANCIAL AND CAPITAL RISK MANAGEMENT

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest risk, liquidity risk, and foreign exchange rate risk.

### Credit Risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents and accounts receivable. The Company's accounts receivable is comprised of trade receivables, GST receivable, other receivables and accrued interest receivable from guaranteed investment certificates ("GICs") held with the bank. GST receivable is not a financial instrument as it does not arise from contractual obligations. The Company limits exposure to credit risk on GICs by holding deposits in high credit quality banking institutions in Canada. The Company is not exposed to significant credit risk on its other receivables. The Company does not have any asset-backed commercial paper included in cash.

The Company's trade receivables are subject to the expected credit loss model. While cash and cash equivalents and trade and accounts receivable are also subject to the impairment requirements of IFRS 9, the identified impairment loss was minimal.

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### Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. All of the Company's financial obligations are due within one year.

| As at December 31, 2020 | Carrying amount $ | Contractual cash flows $ | 1 year or less $ | 1 -5 Years $ |
|---|---|---|---|---|
| Accounts payable and accrued liabilities | 196,845 | 196,845 | 196,845 | – |
| Lease liabilities | 165,008 | 187,171 | 93,586 | 93,585 |
| | 361,853 | 384,016 | 290,431 | 93,585 |

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risks.

(a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash is limited because of its short-term investment nature. The Company's financial asset exposed to interest rate risk consists of cash and cash equivalents.

## 17. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

**Market risk** (continued)

(b) Foreign Exchange Rate Risk

The Company is exposed to foreign currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the CAD (primarily US$). The Company's exposure to foreign currency risk arises primarily on fluctuations between the Canadian dollar and the US dollar. The exposure to foreign exchange rate risk is considered low. The Company has not entered into any derivative instruments to manage foreign exchange fluctuations.

As at December 31, 2020, a 10% strengthening (weakening) of the Canadian dollar against the US dollar would have increased (decreased) the Company's net loss before taxes by approximately $512 (2019 - $647).

(c) Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company's marketable securities were carried at market value and were therefore directly affected by fluctuations in the market value of the underlying securities. After the sale of all of the marketable securities during the year ended December 31, 2020, the Company is not exposed to significant other price risk.

**Management of Capital**

Capital comprises the Company's shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company in order to support its operations and business development. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

With its new PPE manufacturing business in operation, the Company started generating some operating income. To maintain its ability to continue as a going concern and to further develop its business, the Company is dependent on external financing to fund its future intended business plan. 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. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2020. The Company is not subject to externally imposed capital requirements.

## 18. CONTINGENCY

During the year ended December 31, 2019, a former employee filed wrongful dismissal suit against the Company. The litigation was resolved during the year ended December 31, 2020 by both parties agreeing to a cash settlement. The cash payment including $15,000 in legal costs and $25,000 in retirement allowance to the former employee less applicable statutory deductions and was paid in the fourth quarter ended December 31, 2020.

(Expressed in Canadian Dollars, unless stated otherwise)

## 19. FINANCIAL INSTRUMENTS

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. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values.

The Company classified its financial instruments at Level 1 and as follows:

| | Financial Assets | Loans and Receivables | Other Financial Liabilities |
|---|---|---|---|
| | Fair Value Through Profit or Loss | Measured at Amortized Cost | Measured at Amortized Cost |
| **December 31, 2020** | | | |
| Cash and cash equivalents | $ 624,205 | $ - | $ - |
| Accounts receivable | - | 43,237 | - |
| Accounts payable and accrued liabilities | - | - | (196,845) |
| Lease liabilities | - | - | (165,008) |
| | $ 624,205 | $ 43,237 | $ (361,853) |

| | Financial Assets | Loans and Receivables | Other Financial Liabilities |
|---|---|---|---|
| | Fair Value Through Profit or Loss | Measured at Amortized Cost | Measured at Amortized Cost |
| **December 31, 2019** | | | |
| Cash and cash equivalents | $ 2,784,525 | $ - | $ - |
| Marketable securities | 462,500 | - | - |
| Accounts receivable | - | 81,333 | - |
| Accounts payable and accrued liabilities | - | - | (74,779) |
| Lease liabilities | - | - | (230,964) |
| | $ 3,247,025 | $ 81,333 | $ (305,743) |

**Fair Value**

The carrying value of receivables and accounts payable and accrued liabilities approximated their fair value due to the short-term nature of these instruments.

## 20. SUBSEQUENT EVENTS

- On January 12, 2021, the Company granted an aggregate of 1,500,000 stock options to certain directors, officers, employees and consultants of the Company with an exercise price of $0.125 per share. The options expire on January 12, 2023 and vest immediately.

- A total of 505,000 of warrants with an exercise price of $0.10 per warrant were exercised for gross proceeds of $50,500

**Business Development**

On January 14, 2021, the Company entered into a letter of intent (the "Letter of Intent") with Kayan Health Limited ("Kayan Health") which sets out the basic terms and conditions for the acquisition by the Company of all the issued and outstanding securities of Kayan Health in exchange for securities of the Company (the "Transaction"). Following completion of the Transaction, Kayan Health will become a wholly-owned subsidiary of the Company.

Kayan Health's proprietary AI-powered health communications platform helps doctors streamline communications with their patients and remotely monitor them.

Pursuant to the terms of the Letter of Intent, the Company will acquire 100% of the issued and outstanding common shares of Kayan Health in exchange for common shares ("**Common Shares**") of the Company. The Company will issue to the Kayan Health shareholders the aggregate sum of up to $6,000,000 payable in Common Shares as follows:

- $4,000,000 upon closing, payable in Common Shares at a price per Common Share equal to the volume weighted average trading price of the Common Shares for the seven (7) trading days ending on the day prior to the parties entering into the Definitive Agreement (as defined herein); and

- $2,000,000 upon Kayan Health achieving a mutually agreed upon milestone (the "Performance Milestone") payable in Common Shares at a price per Common Share equal to the volume weighted average trading price of the Common Shares for the seven (7) trading days ending on the day prior to Kayan Health achieving the Performance Milestone.

The Company will provide Kayan Health with working capital of $100,000 per month (to a maximum of $400,000) until the parties have executed a Definitive Agreement (as defined herein). Effective on closing of the Transaction, the Company will also appoint two (2) nominees of Kayan Health to the Company's board of directors. As of April 1, 2021, the Company has provided Kayan Health with a total working capital of $400,000.

**20. SUBSEQUENT EVENTS** (continued)

**Financing**

On February 5, 2021, the Company closed the first tranche of a non-brokered private placement ("Private Placement") whereby it issued 10,580,000 units at a purchase price of $0.125 per unit for gross proceeds of $1,322,500. Each unit is comprised of one common share in the capital of the Company and one share purchase warrant. Each share purchase warrant will entitle the holder to acquire one common share at a price of $0.20 per warrant until February 5, 2023.

The Company paid a total of $875.00 in cash finders fees ("Finders' Fees") and issued 7,000 finders' warrants ("Finders' Warrants) to an eligible finder. Each Finders' Warrant entitles the holder to purchase one common share ("Finders' Warrant Share") at an exercise price of $0.20 per Finders' Warrant Share until February 5, 2023

On March 11, 2021, the Company closed the second and final tranche of the Private Placement whereby it sued 11,619,500 units for gross proceeds of $1,452,438. Each unit is comprised of one common share in the capital of the Company and one share purchase warrant. Each share purchase warrant will entitle the holder to acquire one common share at a price of $0.20 per warrant until March 11, 2023.

The Company paid aggregate cash Finders' Fees totalling $41,746.25 and issued 333,970 Finders' Warrants to certain eligible finders. Each Finders' Warrant entitles the holder to purchase one common share ("Finders' Warrant Share") at an exercise price of $0.20 per Finders' Warrant Share until March 11, 2023.

The total gross proceeds the Company received from the Private Placement was $2,774,938.