BEYOND MEDICAL TECHNOLOGIES INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF BEYOND MEDICAL 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, 2021 and 2020;
- 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 Company as at December 31, 2021 and 2020, 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 Company 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 $25,253,652 as of December 31, 2021. 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.

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

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

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.

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- 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 29, 2022

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

	Note		December 31, 2021		December 31, 2020
ASSETS					
Current Assets					
Cash and cash equivalents		**$**	**1,430,761**	$	624,205
Accounts receivable	5		**27,803**		97,009
Inventory	6		**322,463**		369,053
Prepaid expenses and deposits	7		**26,858**		104,379
Total current assets			**1,807,885**		1,194,646
Non-current assets					
Restricted cash	8		**30,470**		28,750
Deposits	7		**-**		8,100
Property and equipment	9		**114,464**		468,648
Right-of-use asset	10		**-**		143,715
Total non-current assets			**144,934**		649,213
Total assets		**$**	**1,952,819**	$	1,843,859
LIABILITIES					
Current Liabilities					
Accounts payables and accrued liabilities		**$**	**174,565**	$	186,845
Due to related parties	13		**119,440**		10,000
Taxes payable			**34,187**		-
Current portion of lease liability	10		**85,086**		77,419
Total current liabilities			**413,278**		274,264
Non-Current Liabilities					
Non-current portion of lease liability	10		**-**		87,589
Total liabilities			**413,278**		361,853
SHAREHOLDERS' EQUITY					
Share capital	12		**23,577,053**		20,778,935
Reserves	12		**3,216,140**		3,043,965
Deficit			**(25,253,652)**		(22,340,894)
Total shareholders' equity			**1,539,541**		1,482,006
Total liabilities and shareholders' equity		**$**	**1,952,819**	$	1,843,859

Nature of Operations and Going Concern (Note 1)
Commitments (Note 18)
Subsequent Events (Note 20)

Approved and authorized for issue by the Board of Directors on April 29, 2022

"Hyder Khoja"
Hyder Khoja, Director

"Michael Kelly"
Michael Kelly, Director

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

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

	Note	For the Year Ended December 31, 2021	December 31, 2020
Revenues		**$ 943,425**	$ 208,659
Cost of sales	6	**(634,149)**	$ (183,974)
Direct selling expenses	13	**(559,767)**	(97,928)
Gross profit		**(250,491)**	(73,243)
Operating expenses:			
Amortization	9, 10	**173,082**	142,360
Bad debts		**40,969**	-
Business development		**613,986**	759,801
Consulting fees	13	**89,650**	587,634
General office and administrative		**169,326**	107,427
Lease interest expenses	10	**13,664**	24,987
Management fees	13	**295,000**	-
Professional fees	13	**212,046**	259,490
Repairs and maintenance		**-**	19,687
Research expenses		**20,860**	47,337
Selling expenses		**10,753**	-
Share-based payments	13	**200,348**	7,070
Transfer agent and filing fees		**28,743**	46,145
Total operating expenses		**1,868,427**	2,001,938
Loss before other expenses		**$ (2,118,918)**	$ (2,075,181)
Other income (expenses):			
Interest income (expense)		**(579)**	7,047
Realized loss on sale of marketable securities		**-**	(17,870)
Unrealized loss on sale of marketable securities		**-**	(187,500)
Fair value loss on loan receivable	11	**(400,000)**	-
Unrealized gain (loss) on foreign exchange		**(458)**	585
Loss on acquisition of Covid Technologies	4	**-**	(4,240,055)
Loss of sale of equipment		**-**	(7,959)
Loss on impairment of right-of-use asset	10	**(71,856)**	
Loss on impairment of equipment	9	**(320,947)**	-
Net and comprehensive loss for the year		**$ (2,912,758)**	$ (6,520,933)
Loss per share, basic and diluted		**$ (0.04)**	$ (0.14)
Weighted average number of shares outstanding		**75,387,540**	47,466,267

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

BEYOND MEDICAL TECHNOLOGIES INC.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Share Capital (Note 12)		Reserves (Note 12)			
	Number of shares	Amount - $ -	Share-based payment reserve - $ -	Warrant reserve - $ -	Deficit - $ -	Total - $ -
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 payments	-	-	7,070	-	-	7,070
Expiration of stock options	-	-	(831,436)	-	831,436	-
Forfeiture of stock options	-	-	(48,108)	-	48,108	-
Net loss for the year	-	-	-	-	(6,520,933)	(6,520,933)
Balance, December 31, 2020	**56,011,841**	**20,778,935**	**877,951**	**2166,014**	**(22,340,894)**	**1,482,006**
Shares issued for private placement	22,199,500	2,774,937	-	-	-	2,774,937
Share issuance costs	-	(112,399)	-	39,221	-	(73,178)
Share issued for consulting services	410,909	16,436	-	-	-	16,436
Shares issued for warrants exercised	517,500	51,750	-	-	-	51,750
Fair value of warrants exercised	-	67,394	-	(67,394)	-	-
Share-based payments	-	-	200,348	-	-	200,348
Net loss for the year	-	-	-	-	(2,912,758)	(2,912,758)
Balance, December 31, 2021	**79,139,750**	**23,577,053**	**1,078,299**	**2,137,841**	**(25,253,652)**	**1,539,541**

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

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

		Year Ended		
		December 31, 2021		December 31, 2020
Operating Activities				
Net loss for the year	**$**	**(2,912,758)**	$	(6,520,933)
Adjustments for non-cash/non-operating items:				
Amortization		**173,082**		142,360
Bad debts		**40,969**		-
Share-based payments		**200,348**		7,070
Loss on sale of equipment		**-**		7,959
Realized loss on sale of marketable securities		**-**		17,870
Fair value loss on marketable securities		**-**		187,500
Loss on acquisition of Covid Technologies		**-**		4,240,055
Loss on impairment of right-of-use assets		**71,856**		-
Loss on impairment of equipment		**320,947**		-
Unrealized foreign exchange loss		**-**		59
Fair value loss on loan receivable		**400,000**		-
Shares issued for consulting services		**16,436**		-
Accrued interest income		**(1,720)**		-
Changes in non-cash working capital:				
Decrease in accounts receivable		**28,237**		43,990
Increase in inventory		**46,590**		(188,429)
Decrease in prepaid expenses and deposits		**85,621**		168,565
Increase (Decrease) in accounts payable and accrued liabilities		**(12,280)**		89,249
Deposits		**-**		(600)
Restricted cash		**-**		(28,750)
Increase in taxes payable		**34,187**		-
Increase in due to related parties		**109,440**		-
Net cash used in operating activities		**(1,399,045)**		(1,834,035)
Investing activities				
Proceeds from sale of marketable securities		**-**		257,130
Proceeds from return of development assets		**-**		18,557
Proceeds from sale of property and equipment		**-**		5,103
Proceeds from sale of development assets		**-**		2,000
Purchase of property and equipment		**(67,986)**		(234,112)
Cash advanced to Covid Technologies		**-**		(550,000)
Cash acquired on acquisition of Covid Technologies		**-**		241,052
Loans advanced to Kayan Health Limited		**(400,000)**		-
Net cash used in investing activities		**(467,986)**		(260,270)
Financing activities				
Cash received from private placements, net		**2,701,759**		-
Cash received from exercise of warrants		**51,750**		-
Net lease liability payments		**(79,922)**		(65,956)
Net cash provided by (used in) financing activities		**2,673,587**		(65,956)
Foreign exchange effect on cash		**-**		(59)
Increase (Decrease) in cash and cash equivalents		**806,556**		(2,160,320)
Cash and cash equivalents, beginning of the year		**624,205**		2,784,525
Cash and cash equivalents, end of the year	**$**	**1,430,761**	$	624,205

Supplemental cash flow information (Note 19)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Beyond Medical Technologies Inc. (the "Company" or "Beyond"), 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. On January 12, 2021, the Company's common shares began trading on the Canadian Stock Exchange ("CSE") under the trading symbol "DOCT".

In 2020 the Company started the business of manufacturing personal protective equipment ("PPE"), mainly medical grade face masks, through its newly acquired wholly owned subsidiary, Micron Technologies Inc. (formerly "Covid Technologies Inc." or "Covid Technologies") ("MTI").

The Company decided to discontinue its research and development activities on its waste digester business in the food and pharmaceuticals industries. Accordingly, the related equipment has been impaired.

The Company incurred a net loss of $2,912,758 (2020 - $6,520,933) during the year ended December 31, 2021 and as of that date has an accumulated deficit of $25,253,652 (2020 - $22,340,894). 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 the 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. The consolidated financial statements do not include any adjustments to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. 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 governments 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. Government regulations included mask and other PPE mandates which has had a positive effect on the Company's PPE manufacturing business. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). 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.

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

2. BASIS OF PRESENTATION (continued)

Approval of the consolidated financial statements

The consolidated financial statements of the Company for the year ended December 31, 2021 were approved and authorized for issuance by the Board of Directors on April 29, 2022.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

These 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:

Financial Asset	
Cash and cash equivalents	FVTPL
Accounts receivable	Amortized cost
Restricted cash	FVTPL
Deposits	Amortized cost
Loans receivable	Amortized cost
Financial Liability	
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	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 judgment.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets (continued)

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.

The carrying amount of cash and cash equivalents, accounts receivable, restricted cash, accounts payables and accrued liabilities, and due to related parties approximate their fair values due to their short-term nature.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and other equipment	declining balance	20%
Leasehold improvements	straight-line basis	5 years
Manufacturing equipment	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.

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. 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.

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 assets 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leased Assets (continued)

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 asset. 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.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based Payment (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 (continued)

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.

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.

Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each reporting period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. The criteria that the Company uses to determine if there is objective evidence of an impairment loss includes:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

At each statement of financial position date, on a forward-looking basis, the Company assesses the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Significant Accounting Judgments, Estimates and Assumptions

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 amortization included in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Judgments, Estimates and Assumptions (continued)

b) 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.

c) 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.

d) Determination of control in business acquisition

The determination of the acquirer in business acquisitions is subject to judgment and requires management 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' relative 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 acquisition of Covid Technologies with respect to whether the acquisition was a business combination or an asset acquisition (note 4).

e) 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.

f) 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.

g) Impairment of long-lived assets

For assets with finite lives, judgment is required in assessing whether certain factors would be considered an indicator of impairment. The Company considers both external and internal sources of information in assessing whether there are any indications that CGUs are impaired, or reversal of impairment is needed. Factors considered include current and forecast economic conditions, internal projections and the Company's market capitalization relative to its net asset carrying amount. The Company does not have any assets with indefinite lives for the years ended December 31, 2021 and 2020.

(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 selling 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 8, 2020, pursuant to the share exchange agreement entered on May 18, 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 of $0.10 per share warrant and expiration date of April 28, 2021. The fair value of the Replacement Warrants was determined to be $2,148,792 using the 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 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. ACCOUNTS RECEIVABLE

As at December 31, 2021 and December 31, 2020, the Company's accounts receivable is composed of the following:

		December 31, 2021		December 31, 2020
Trade receivable	**$**	**2,940**	$	38,584
GST receivable		**22,846**		53,772
Other receivables		**2,017**		4,653
	$	**27,803**	$	97,009

6. INVENTORY

As at December 31, 2021 and December 31, 2020, the Company's inventories are comprised of the following:

		December 31, 2021		December 31, 2020
Raw materials	**$**	**315,422**	$	248,453
Finished goods		**7,041**		120,600
	$	**322,463**	$	369,053

During the year ended December 31, 2021, the Company recognized an expense of $140,640 (2020 - $nil) related to an inventory write-down to the net realizable value which is included in cost of sales.

7. PREPAID EXPENSES AND DEPOSITS

As at December 31, 2021 and December 31, 2020, the Company's prepaid expenses and deposits are composed of the following:

		December 31, 2021		December 31, 2020
Business development	**$**	**14,179**	$	30,598
Deposits on inventories		**-**		38,236
Deposits on machinery and equipment		**1,295**		-
Office and general		**11,384**		36,706
Professional fees – legal retainer		**-**		6,939
		26,858		112,479
Total - current		**26,858**		104,379
Total – non-current	**$**	**-**	$	8,100

8. RESTRICTED CASH

As at December 31, 2021, the Company classified $30,470 (December 31, 2020 - $28,750) as restricted cash which includes $28,750 of GIC and $1,720 of interest accrued on the GIC. 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)

9. PROPERTY AND EQUIPMENT

	Leasehold improvements	Manufacturing equipment	Computer equipment	Furniture and other equipment	WIP - Equipment	Total
Costs:						
Balance, December 31, 2019	$ 180,176	$ -	$ 14,107	$ 23,535	$ 45,557	$ 263,375
Additions	-	379,143	-	-	-	379,143
Disposal	-	-	(9,389)	(23,535)	(20,557)	(53,481)
Balance, December 31, 2020	180,176	379,143	4,718	-	25,000	589,037
Additions	-	67,986	-	-	-	67,986
Balance, December 31, 2021	$ 180,176	$ 447,129	$ 4,718	$ -	$ 25,000	$ 657,023
Accumulated Amortization:						
Balance, December 31, 2019	$ 51,017	$ -	$ 2,753	$ 6,590	$ -	$ 60,360
Amortization	36,903	29,127	589	3,883	-	70,502
Disposal	-	-	-	(10,473)	-	(10,473)
Balance, December 31, 2020	87,920	29,127	3,342	-	-	120,389
Amortization	36,900	63,911	412	-	-	101,223
Impairment	55,356	240,591	-	-	25,000	320,947
Balance, December 31, 2021	$ 180,176	$ 333,629	$ 3,754	$ -	$ 25,000	$ 542,559
Net Book Value:						
December 31, 2020	$ 92,256	$ 350,016	$ 1,376	$ -	$ 25,000	$ 468,648
December 31, 2021	**$ -**	**$ 113,500**	**$ 964**	**$ -**	**$ -**	**$ 114,464**

(1) WIP - equipment are the development assets comprising of prototype equipment, which the Company has constructed or was in the process of construction, to transform organic waste into clean water and meets municipal effluent discharge standards. As the Company is no longer operating in this segment and there is no active market for the equipment, the recoverable value is $nil. The WIP-equipment was impaired during the year ended December 31, 2021.

(2) Leasehold improvement and manufacturing equipment are used in the Company's PPE manufacturing segment. During the year ended December 31, 2021, the Company identified indicators of impairment due to the subsequent decline in PPE revenue and changes in government regulations for mask mandates. The recoverable value of leasehold improvements and PPE equipment was estimated to be $nil and $113, 500 as at December 31, 2021. The recoverable value of PPE equipment is based on the fair value less disposal using level 1 inputs in accordance with the fair value hierarchy.

(Expressed in Canadian Dollars, unless stated otherwise)

10. RIGHT-OF-USE ASSET AND LEASE LIABILITIES

The Company has entered into non-cancelable operating lease agreement of its offices that terminates on December 31, 2022.

Many leases include one or more options to renew. The Company assumes renewals in the determination of the lease term if the renewals are deemed to be reasonably assured at lease commencement date. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The continuity of the right-of-use asset ("ROU asset") and lease liability for the year ended December 31, 2021 and December 31, 2020 is as follows:

Right-of-use asset:		
Value of right-of-use assets as at December 31, 2019	$	215,573
Additions		-
Amortization		(71,858)
Value of right-of-use assets as at December 31, 2020		143,715
Additions		-
Amortization		(71,859)
Impairment		(71,856)
Value of right-of-use assets as at December 31, 2021	**$**	**-**

Lease liability		
Lease liability recognized as of December 31, 2019	$	230,964
Lease payments		(90,943)
Lease interests		24,987
Lease liability recognized as of December 31, 2020		165,008
Lease payments		(93,586)
Lease interests		13,664
Lease liability recognized as of December 31, 2021	**$**	**85,086**
Current portion		85,086
Long-term portion		-
	$	**85,086**

During the year ended December 31, 2021, the Company identified indicators of impairment due to the subsequent decline in PPE revenue and changes in government regulations for mask mandates. The recoverable value of the right-of-use asset was estimated to be $nil. The Company recognized an impairment of $71,856 with respect to its right-of-use asset during the year ended December 31, 2021 (2020 - $nil).

The following table reflects the undiscounted lease obligations payable during the five years subsequent to the year ended December 31, 2021:

	2022	**2023**	**2024**	**2025**	**2026**	**Total**
Warehouse lease	$ 93,586	-	-	-	-	$93,586

11. LOANS RECEIVABLE

On January 13, 2021, the Company entered into a Letter of Intent ("LOI") with Kayan Health Limited ("Kayan Health") to acquire all of the issued and outstanding shares of the Kayan Health. Pursuant to the LOI, the Company is required to provide Kayan Health with working capital loans of $100,000 per month (to a maximum of $400,000) until the parties have executed a Definitive Agreement. If the Parties do not enter into a Definitive Agreement by April 30, 2021, the aggregate sum of the advanced loans shall automatically convert into fully paid common shares of Kayan Health at a price equal to the price per Kayan Share issued in Kayan Health's next immediate financing of equity securities in an amount not less than $250,000. The LOI was terminated on June 7, 2021.

During the year ended December 31, 2021, the Company advanced $400,000 to Kayan Health. Upon termination of the LOI, the parties have no further obligations pursuant thereto, except for such continuing obligations as specifically provided for in the LOI, including, but not limited to, the conversion of the $400,000 previously advanced by the Company to Kayan Health being converted into common shares of Kayan Health. As a financing was not completed by Kayan Health, the Company did not receive common shares of Kayan Health during the year ended December 31, 2021.

During the year ended December 31, 2021, management determined the loan was not recoverable and recognized $400,000 as a fair value loss in the statement of loss.

12. SHARE CAPITAL

Authorized share Capital

Unlimited number of common shares without par value.

Issued and Outstanding

As at December 31, 2021, there were 79,139,750 (December 31, 2020 – 56,011,841) common shares issued and outstanding.

Details of transactions involving common shares are as follows:

During the year ended December 31, 2021

On February 5, 2021, the Company closed the first tranche of a private placement for 10,580,000 units at a price of $0.125 per unit for gross proceeds of $1,322,500. Each unit consisted of one common share and one share purchase warrant, exercisable at $0.20 per share for a period of 24 months from the date of closing until February 5, 2023. These warrants were allocated a fair value of $nil using the residual value method.

The Company paid a total of $875 in cash finders' fees and issued 7,000 finders' warrants with a fair value of $703. The fair value of these finders' warrants was estimated using the Black-Scholes option pricing model.

On March 11, 2021, the Company closed the second and final tranche for 11,619,500 units at a price of $0.125 per unit for gross proceeds of $1,452,437. Each unit consisted of one common share and one share purchase warrant, exercisable at $0.20 per share for a period of 24 months from the date of closing until March 11, 2023. These warrants were allocated a fair value of $nil using the residual value method.

On December 9, 2021, the Company issued 410,909 shares valued at $16,436 for consulting services (note 17).

(Expressed in Canadian Dollars, unless stated otherwise)

12. SHARE CAPITAL (continued)

During the year ended December 31, 2021 (continued)

The Company paid aggregate cash finders' fees totaling $41,746, incurred related legal fees of $30,557 and issued 333,970 Finders' Warrants with a fair value of $38,518. The fair value of these finders' warrants was estimated using the Black-Scholes option pricing model.

During the year ended December 31, 2021, the Company issued an aggregate of 517,500 shares for the exercise of warrants for aggregate proceeds of $51,750. The fair value allocated to these warrants when issued of $67,394 was reclassified from reserves to share capital.

On December 9, 2021, Company entered into a private placement agreement for online marketing agreement with Agora Internet Relations Corp. and issued 410,909 units at a unit price of $0.040 for a consideration of $16,436. The unit price is taken as the prevailing market rate of the shares of the company on Canadian stock exchange.

During the year ended December 31, 2020

On July 8, 2020, pursuant to the share exchange agreement, 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 of the Company (note 4).

Share Purchase Warrants

The changes in warrants outstanding are as follows:

	Number of warrants	Weighted average exercise price ($)
Balance as at December 31, 2019	15,942,336	0.74
Issued	16,500,000	0.10
Expired	(3,358,236)	1.00
Balance as at December 31, 2020	29,084,100	0.36
Issued	22,540,470	0.20
Exercised	(517,500)	0.10
Expired	(2,500,000)	0.50
Balance as at December 31, 2021	48,607,070	0.28

(Expressed in Canadian Dollars, unless stated otherwise)

12. SHARE CAPITAL (continued)

Share Purchase Warrants (continued)

As at December 31, 2021, the Company had the following warrants outstanding:

Date of expiry	Warrants	Exercise price	Weighted average life (Years)
April 13, 2022	5,075,000	$ 0.50	0.28
June 1, 2022	5,009,100	1.00	0.42
April 28, 2025	15,982,500	0.10	3.33
February 5, 2023	10,587,000	0.20	1.10
March 11, 2023	11,953,470	0.20	1.19
Balance at December 31, 2021	48,607,070		1.70

For valuation purposes, the fair values of compensation warrants granted were estimated on their dates of issue using the Black-Scholes option pricing model and the following assumptions:

	December 31, 2021
Expected life in years	**2**
Volatility	**162%**
Risk free rate	**0.25%**
Dividend yield	**0%**

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)

12. SHARE CAPITAL (continued)

Stock Options (continued)

During the year ended December 31, 2021

On January 12, 2021, the Company granted a total of 1,500,000 incentive stock options to directors, officers, employees, and consultants of the Company with an exercise price of $0.18 per share. All the options vested immediately and expire on January 12, 2023. The total fair value of these stock options was $200,348 which was recognized as share-based payment.

On May 11, 2021, 150,000 stock options were forfeited.

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; and
- 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.

The changes in stock options outstanding are as follows:

	Number of options	Weighted average exercise price ($)
Balance as at December 31, 2019	2,745,000	0.69
Options expired	(1,282,500)	0.65
Options forfeited	(100,000)	0.72
Balance as at December 31, 2020	1,362,500	0.73
Options granted	1,500,000	0.18
Options forfeited/ expired	(1,762,500)	0.60
Balance as at December 31, 2021	1,100,000	0.28

As at December 31, 2021, the Company had the following stock options outstanding and exercisable:

Date of expiry	Options outstanding	Exercise price	Weighted average remaining Life (Years)
October 25, 2022	250,000	$ 0.60	0.19
January 12, 2023	850,000	$ 0.18	0.80
Balance as at December 31, 2021	1,100,000	$0.28	0.99

(Expressed in Canadian Dollars, unless stated otherwise)

12. SHARE CAPITAL (continued)

Stock Options (continued)

For valuation purposes, the fair values of compensation options granted were estimated on their dates of issue using the Black-Scholes option pricing model and the following assumptions:

	December 31, 2021	December 31, 2020
Expected life in years	**2**	-
Volatility	**160%**	-
Risk free rate	**0.18%**	-
Dividend yield	**0%**	-

13. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

As at December 31, 2021, $119,440 (2020 - $10,000) was due to directors and officers of the Company or companies controlled by them.

	As at			
		December 31, 2021		December 31, 2020
Company controlled by the Chief Executive Officer	**$**	**91,625**	$	-
Companies controlled by the Chief Financial Officer		**12,458**		-
Companies controlled by the Directors		**15,357**		10,000
	$	**119,440**	$	10,000

The balances are unsecured, non-interest bearing and have no specific terms for repayment.

During the years ended December 31, 2021, and 2020, the Company entered into the following transactions with related parties:

	For the year ended			
		December 31, 2021		December 31, 2020
Expenses paid or accrued to directors, officers and companies controlled by directors and officers:				
Management fees	**$**	**295,000**	$	270,000
Consulting fees		**40,650**		162,992
Professional fees		**37,521**		7,000
Direct selling expense		**67,619**		-
Rent		**27,000**		36,000
Share based payments		**93,496**		-
	$	**561,286**	$	475,992

(Expressed in Canadian Dollars, unless stated otherwise)

13. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION (continued)

Management fees were paid or accrued to the following:

	For the year ended	
	December 31, 2021	December 31, 2020
Company controlled by the CEO	**$ 240,000**	$ 240,000
Company controlled by the CFO	**25,000**	-
Company controlled by the CTO	**-**	30,000
Company controlled by the former CFO	**30,000**	-
	$ 295,000	$ 270,000

Consulting fees were paid or accrued to the following:

	For the year ended	
	December 31, 2021	December 31, 2020
Company controlled by the CFO	**$ 5,000**	**$ -**
Companies controlled by the Directors	**28,000**	306,000
Company controlled by the former CFO	**-**	72,000
Company controlled by the former corporate secretary	**2,500**	-
Company controlled by the former Director	**5,150**	54,992
	$ 40,650	$ 432,992

Professional fees were paid or accrued to the following:

	For the year ended	
	December 31, 2021	December 31, 2020
Company controlled by the CFO	**$ 31,321**	**$ -**
Company controlled by the former CFO	**6,200**	43,000
	$ 37,521	$ 43,000

Rent of $27,000 for the year ended December 31, 2021 (2020 - $36,000) was paid or accrued to a company controlled by the former CFO.

Share based payments include the following:

	Year ended December 31, 2021		Year ended December 31, 2020	
	Number of options	**Share-based payment**	Number of options	Share-based payment
Director	**350,000**	**$ 46,748**	-	$ -
Former CFO	**250,000**	**33,391**	-	-
Former Director	**100,000**	**13,357**	-	-
	700,000	**$ 93,496**	-	$ -

(Expressed in Canadian Dollars, unless stated otherwise)

14. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27.00% (2020 - 27.00%) to income before income taxes. The reasons for the differences are as follows:

		2021		2020
Loss before income taxes	$	(2,912,758)	$	(6,520,933)
Statutory income tax rate		27.00%		27.00%
Expected income tax recovery		(786,445)		(1,760,652)
Share issuance costs		(19,758)		-
Non-deductible recoveries and other		297,459		46,806
Loss on acquisition of Covid Technologies		-		1,110,252
Change in unrecognized deductible temporary differences		508,744		603,594
Total income tax recovery	**$**	**-**	**$**	**-**

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

		2021		2020
Property and equipment	$	2,715,697	$	3,240,243
Share issuance costs		80,377		23,422
Capital losses		2,445,424		2,445,424
Non-capital losses		16,598,282		14,711,307
Deferred tax assets	**$**	**21,839,780**	**$**	**20,420,396**

As at December 31, 2021, the Company has unrecognized tax losses of $16,598,000 for which no deferred tax asset is recognized. The Company's unrecognized unused non-capital losses have the following expiry dates:

2028	$	348,000
2029		393,000
2030		11,000
2031		3,170,000
2032		1,168,000
2033		521,000
2034		247,000
2035		197,000
2036		639,000
2037		1,553,000
2038		2,037,000
2039		2,356,000
2040		2,115,000
2041		1,843,000
	$	16,598,000

(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 manufacturing of PPE and Waste Treatment, the development and commercialization of on-site treatment systems that can turn organic waste into clean water that meets municipal effluent discharge standards. The reportable segments were determined based on the nature of the services provided and goods sold. During the year ended December 31, 2021, the Company's net loss per segment is presented as follows:

	Waste Treatment	PPE Sector	Corporate	Total
Revenue	$ -	$ 943,425	$ -	**$ 943,425**
Cost of goods sold	-	(634,149)	-	**(634,149)**
Direct selling expense	-	(559,767)	-	**(559,767)**
Operating expenses	(169,898)	(308,076)	(1,390,453)	**(1,868,427)**
Other income (expenses)	(25,000)	(367,559)	(401,281)	**(793,840)**
Net loss for the year	**$ (194,898)**	**$ (926,126)**	**$ (1,791,734)**	**$ (2,912,758)**

During the year ended December 31, 2020, the Company's net loss per segment is presented as follows:

	Waste Treatment	PPE Sector	Corporate	Total
Revenue	$ -	$ 208,659	$ -	**$ 208,659**
Cost of goods sold	-	(183,974)	-	**(183,974)**
Direct selling expense	-	(97,928)	-	**(97,928)**
Operating expenses	(324,441)	(212,184)	(1,465,313)	**(2,001,938)**
Other income (expenses)	(32,063)	(4,237,778)	(175,911)	**(4,445,752)**
Net loss for the year	**(356,504)**	**(4,523,205)**	**(1,641,224)**	**(6,520,933)**

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, 2021		December 31, 2020	
	Waste Treatment	**PPE Sector**	Waste Treatment	PPE Sector
Restricted cash	**$ -**	**$ 30,470**	$ -	$ 28,750
Deposits – non-current	**-**	**-**	8,100	-
Property and equipment	**963**	**113,500**	118,632	350,016
Right-of-use-asset	**-**	**-**	143,715	-
	$ 963	**$ 143,970**	$ 270,447	$ 378,766

16. 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 counterparty'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.

16. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Credit Risk (continued)

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 *Financial Instruments*, for the year ended December 31, 2021, the Company has provided for allowance of doubtful debts of $40,969 (December 31, 2020 - $nil).

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. As at December 31, 2021, the Company had working capital of $1,394,607 (December 31, 2020 - $920,382). The payment terms for accounts payable and accrued liabilities from vendors are generally 30 days or due on receipt.

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 risk.

(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.

(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, 2021, 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 $nil (December 31, 2020 - $512).

(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 is not exposed to significant other price risk.

(Expressed in Canadian Dollars, unless stated otherwise)

16. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

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 PPE manufacturing business in operation, the Company started generating some operating revenue. 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 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, 2021. The Company is not subject to externally imposed capital requirements**.**

17. 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 three levels of the fair value hierarchy are:

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

The Company classified its financial instruments 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, 2021			
Cash and cash equivalents	$ 1,430,761	$ -	$ -
Accounts receivable	-	4,957	-
Accounts payable and accrued liabilities	-	-	(174,565)
Due to related parties	-	-	(119,440)
Taxes payable	-	-	(34,187)
Lease liabilities	-	-	(85,086)
	$ 1,430,761	$ 4,957	$ (413,278)

(Expressed in Canadian Dollars, unless stated otherwise)

17. FINANCIAL INSTRUMENTS (continued)

	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		-		-		(186,845)
Due to related parties		-		-		(10,000)
Lease liabilities		-		-		(165,008)
	$	624,205	$	43,237	$	(361,853)

18. COMMITMENTS

The Company has certain commitments related to key management compensation for $10,000 per month with no specific expiry of terms (note 13).

19. SUPPLEMENTAL CASH FLOW INFORMATION

The Company incurred the following non-cash financing transactions during the years ended December 31, 2021 and 2020:

	December 31, 2021 **- $ -**	December 31, 2020 - $ -
Non-cash financing activities:		
Shares issued to acquire Covid Technologies	-	2,310,000
Fair value of Covid Technologies replacement warrants	-	2,148,792
Fair value of stock options expired	-	831,436
Fair value of stock options forfeited	-	48,108
Fair value of warrants exercised	67,394	-

During the year ended December 31, 2021, the Company paid taxes of $nil (December 31, 2020 - $nil) and interest of $nil (December 31, 2020 - $nil).

20. SUBSEQUENT EVENTS

On January 10, 2022, the Company granted a total of 2,100,000 incentive stock options to directors and officers of the Company with an exercise price of $0.075 per share. All the options vested immediately and expire on January 10, 2027.