CleanGo Innovations Inc.

Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of CleanGo Innovations Inc.:

Opinion

We have audited the consolidated financial statements of CleanGo Innovations Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and December 31, 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our 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 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 incurred a net loss and used cash in operations during the year ended December 31, 2021 and, as of that date, the Company had a working capital deficiency and an accumulated deficit. As stated in Note 1, these events or conditions, 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 Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Calgary, Alberta

May 4, 2022

MNP LLP

Chartered Professional Accountants

MNP

CleanGo Innovations Inc.
Consolidated Statements of Financial Position
As at December 31,
(Expressed in Canadian dollars)

	Note		2021		2020
ASSETS					
Current assets					
Cash		$	**295,750**	$	212,052
Trade receivables	**4**		**149,201**		28,055
Share subscription receivables	**5**		**370,260**		48,000
Deposits and prepaid expenses			**9,836**		12,050
Inventory	**6**		**208,757**		194,459
			1,033,804		494,616
Non-current assets					
Right -of-use assets	**7**		**7,183**		21,547
Property and equipment	**8**		**78,703**		84,222
			85,886		105,769
Total assets		**$**	**1,119,690**	$	600,385
LIABILITIES					
Current					
Accounts payable and accrued liabilities		**$**	**956,622**	$	240,482
Related parties payables	**13**		**476,133**		87,932
Loans payable	**3**		**-**		898,426
Current portion of lease liabilities	**7**		**7,915**		13,620
			1,440,670		1,240,460
Non-current liabilities					
Government loan	**10**		**43,115**		-
Related parties payables	**13**		**-**		475,340
Lease liabilities	**7**		**-**		8,439
			43,115		483,779
Total liabilities			**1,483,785**		1,724,239
SHAREHOLDERS' DEFICIT					
Share capital	**12**		**7,620,334**		633,890
Contributed surplus	**12**		**31,490**		-
Warrants	**12**		**689,729**		-
Accumulated other comprehensive loss			**(7,573)**		(6,395)
Deficit			**(8,698,075)**		(1,751,349)
Total shareholders’ deficit			**(364,095)**		(1,123,854)
Total liabilities and shareholders’ deficit		**$**	**1,119,690**	$	600,385

Subsequent events *(Note 21)*

“signed” Anthony Sarvucci
Director

“signed” Paula Pearce-Sarvucci
Director

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

CleanGo Innovations Inc.

Consolidated Statements of loss and Comprehensive Loss

For the years ended December 31,

(Expressed in Canadian dollars)

	Note		2021		2020
Revenue					
Merchandise sales		$	**146,758**	$	190,346
Cost of sales			**(128,421)**		(184,164)
Gross margin		$	**18,337**	$	6,182
Expenses					
Selling and administrative	**10**	$	**690,681**	$	419,295
Depreciation and amortization	**7,8**		**28,266**		11,483
Bad debt			**10,800**		70,647
Transaction costs			**80,756**		108,265
Foreign exchange gain			**(3,195)**		(4,950)
Finance expense	**9**		**21,733**		24,294
Total expenses		$	**829,041**	$	629,034
Net loss before undemoted item		$	**(810,704)**	$	(622,852)
Other income	**10**		**18,426**		-
Listing expense	**3**		**(6,394,123)**		-
Gain on debt settlement	**15**		**239,675**		-
Net loss		$	**(6,946,726)**	$	(622,852)
Translation loss on foreign operations			**(1,178)**		(6,523)
Comprehensive loss		$	**(6,947,904)**	$	(629,375)
Basic and diluted loss per share		$	**(0.90)**	$	(0.11)
Weighted average common shares outstanding			**7,728,401**		5,977,998

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

CleanGo Innovations Inc.
Consolidated Statements of Changes in Shareholders' Deficiency
For the years ended December 31, 2021 and 2020
(Expressed in Canadian dollars)

	Note	Common Shares	Contributed Surplus	Warrants	Accumulated other comprehensive loss	Deficit	Total deficit
Balance at December 31, 2019		$ 593,896	$ -	$ -	$ 128	$ (1,128,497)	$ (534,473)
Net loss for the year		-	-	-	-	(622,852)	(622,852)
Issuance of common shares	**12**	42,086	-	-	-	-	42,086
Share issue costs		(2,092)	-	-	-	-	(2,092)
Translation loss on foreign operations		-	-	-	(6,523)	-	(6,523)
Balance at December 31, 2020		$ 633,890	$ -	$ -	$ (6,395)	$ (1,751,349)	$(1,123,854)
Net loss for the year	**3**	-	-	-	-	(6,946,726)	(6,946,726)
Issued pursuant to Qualifying Transaction:							
Shares issued	**3,12**	5,523,220	-	-	-	-	5,523,220
Units issued pursuant to Qualifying Transaction	**3,12**	789,498	-	210,502	-	-	1,000,000
Options and warrants assumed	**3,12**	-	31,490	451,184	-	-	482,674
Recapitalizion of builder shares	**3,12**	421,271	-	-	-	-	421,271
Shares issued related to debt extinguishment	**12**	252,455	-	28,043	-	-	280,498
Translation loss on foreign operations		-	-	-	(1,178)	-	(1,178)
Balance at December 31, 2021		**$ 7,620,334**	**$ 31,490**	**$ 689,729**	**$ (7,573)**	**$ (8,698,075)**	**$ (364,095)**

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

CleanGo Innovations Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

	Note		2021		2020
Cash (used in)/provided by:					
Operating activities:					
Net loss		$	**(6,946,726)**	$	(622,852)
Items not involving cash:					
Depreciation and amortization	**7,8**		**28,266**		11,483
Bad Debt			**10,800**		-
Gain on Debt Settlement	**15**		**(239,675)**		-
Foreign Exchange Gain			**(5,073)**		1,477
Accretion of government loan	**9**		**1,541**		-
Shares for services	**5**		**37,500**		-
Share-based payments			**-**		29,250
Provision for obsolesce	**6**		**(181)**		20,777
Non-cash interest on intercompany loan			**30,100**		-
Government Income	**10**		**(18,426)**		-
Listing expense	**3**		**6,394,123**		-
			(707,751)		(559,865)
Net change in non-cash working capital	**20**		**(490,087)**		(532,609)
Cash used in operations			**(1,197,838)**		(1,092,474)
Financing activities:					
Proceeds from share issuances	**3**		**311,760**		9,994
Increase in other loans			**-**		898,426
Increase/(decrease) in government	**10**		**60,000**		-
Repayment of lease liabilities	**7**		**(14,144)**		(6,670)
Increase in loans from related parties			**-**		475,340
Cash from financing activities			**357,616**		1,377,090
Investing activities:					
Acquisition of property and equipment	**8**		**(8,383)**		(86,749)
Cash acquired on RTO	**3**		**932,303**		-
Cash from/(used in) investing activities			**923,920**		(86,749)
Increase in cash			**83,698**		197,867
Net effect of foreign exchange on cash held in foreign currencies			**-**		284
Cash, beginning of year			**212,052**		13,901
Cash, end of year		$	**295,750**		212,052

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

1. NATURE AND CONTINUANCE OF OPERATIONS

CleanGo Innovations Inc. (formerly SoftLab9 Technologies Inc.) (the "Company" or "CleanGo") was incorporated as CDN BVentures Ltd. on October 30, 2014 under the Business Corporations Act (British Columbia). The Company has two subsidiaries, APPx Technologies Inc (90.56% owned) and RewardDrop Software Inc. (100% owned). On August 27, 2021, the Company completed a reverse take-over business combination with Clean Go Green Go Inc. ("CleanGo GreenGo") wherein the Company acquired 100% of the issued and outstanding common shares of Clean Go Green Go and its wholly owned subsidiary CleanGo GreenGo Inc. ("CleanGo US") and began trading on the Canadian Securities Exchange ("Exchange") under the symbol "CGII".

These consolidated financial statements reflect the continuation of the financial position, operating results and cash flow of the Company's legal subsidiary, CleanGo GreenGo.

The head office, principal address and registered and records office of the Company are located at Unit 15, 5656 10 Street NE, Calgary, Alberta.

The Company's principal business activity is to manufacture and sell cleaning, disinfecting and industrial solutions using a proprietary formulation which is non-toxic, biodegradable and uses no harsh chemicals to provide a green cleaning, disinfecting and emulsifying solution to buyers.

Going concern

The Company incurred a loss of $6,946,726 (2020 - $622,852) for the year ended December 31, 2021 and used cash in operations of $1,197,838 (2020 - $1,092,474). As at December 31, 2021, the Company had a history of losses and an accumulated deficit of $8,698,075 (2020 - $1,751,349), and current liabilities exceeded its current assets by $454,866 (2020 - $745,844). Consequently, continuing business as a going concern is dependent upon the success of the Company's sale of its products, generation of positive cash flows and the ability of the Company to obtain additional debt or equity financing all of which are uncertain. These circumstances indicate the existence of material uncertainties that cast significant doubt on the Company's ability to continue as a going concern.

The Company's future capital requirements will depend on many factors, including the costs of developing its products, operating costs, the current capital market environment and global market conditions. The continued operations of the Company are dependent on its ability to develop a sufficient financing plan, receive continued financial support from related parties, complete sufficient public equity financing, and ultimately generate profitable operations in the future. The Company has no assurance that it will be successful in its efforts. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, the future success of the business could be adversely affected.

These consolidated financial statements ("Financial Statements") have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than a process of forced liquidation. These Financial Statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustments could be material.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The future impact on the Company is not currently determinable including the ability to raise capital required to meet the Company's business objectives. Management continues to actively monitor the global situation in order to mitigate any potential future impact on the Company's operations and financial performance.

2. BASIS OF PREPARATION

Basis of consolidation and preparation

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC") in effect on January 1, 2021.

The Financial Statements include the financial statements of the Company and its wholly owned subsidiaries. Inter-company accounts and balances are eliminated upon consolidation.

These Financial Statements are authorized for issue by the Board of Directors on May 4, 2022.

Basis of measurement
These Financial Statements have been prepared on the historical cost basis except for certain financial instruments classified as fair value through profit or loss ("FVTPL") which are stated at their fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting, except cash flow information.

Functional and presentation currency
These Financial Statements are presented in Canadian dollars, which is CleanGo's functional currency. CleanGo US has a US dollar functional currency.

Foreign currency transactions are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate at the reporting date. All differences are recorded in the consolidated statements of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Assets and liabilities of subsidiaries with a different functional currency are translated into Canadian dollars at year-end exchange rates and their revenue and expenses are translated at the average exchange rate for the year. The resulting exchange differences are recognized in other comprehensive loss.

Use of estimates and judgments
The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues and expenses. Estimates and associated assumptions applied in determining asset or liability values are based on historical experience and various other factors including other sources that are believed to be reasonable under the circumstances but are not necessarily readily apparent or recognizable at the time such estimate or assumption is made. Actual results may differ from these estimates.

The information about significant areas of estimation uncertainty considered by management in preparing the Financial Statements is as follows:

Provision for returns and promotional incentives
The Company estimates the most likely amount payable to each customer for sales discount programs and promotional incentives using expected sales volumes and historical spending patterns.

2. BASIS OF PREPARATION (cont'd…)

Use of estimates and judgments (cont'd…)

Provision for expected credit losses
The Company applies a simplified approach for the measurement of expected credit losses ("ECL") on its trade receivables as these are typically short-term in nature. On initial recognition, the Company records a loss equal to the 12 month ECL unless the financial assets are considered credit impaired. The Company measures lifetime ECL's on its credit impaired trade receivables based on historical experience and forecasted economic conditions affecting the counterparties. The amount is shown as an allowance for doubtful accounts.

Inventories
Management makes estimates of future customer demand for products when establishing appropriate provisions for inventory obsolescence. In making these estimates management considers the shelf-life of inventory and the expected profitability of sales.

Functional currency
The determination of the Company's and subsidiaries' functional currency requires analyzing facts that are considered primary factors, and if the results are not conclusive, secondary factors. The analysis requires significant judgement since primary and secondary factors may be mixed. In determining its functional currency, the Company analyzes both the primary and secondary factors, including the currency of the Company's expected revenues, operating costs, general and administrative costs and financing proceeds in the countries it operates in.

Income taxes
Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

Government loans
The Company is required to make certain assumptions in estimating the fair value of the low interest rate loans received from the government. These assumptions include the allocation of value between the future cash flow and carrying value of these loans and the determination of a comparable interest rate that would be obtained if a financing was obtained from in independent financial institution to acquire a similar type of loan.

Leases
Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

Stock options and warrants
The fair value of stock options and warrants is recognized using the Black-Scholes model, that takes into account the terms and conditions upon which the stock options and warrants were issued. Measurement inputs include the Company's share price on the measurement date, the exercise price of the stock options/warrants, the expected volatility, the expected life of the stock options/warrants and the risk-free rate of return. The Company estimates volatility based on historical volatilities of publicly-traded peer companies. The expected life of stock options/warrants is based on historical experience and estimates of the holder's behavior. Dividends are not factored in as the Company does not expect to pay dividends in the foreseeable future. For the fair value of stock options, management also makes an estimate of the number of stock options that may be forfeited, and the rate is adjusted to reflect the actual number of stock options that actually vest.

2. BASIS OF PREPARATION (cont'd…)

The information about significant areas of judgment considered by management in preparing the Financial Statements is as follows:

Going concern
The assessment of the Company's ability to continue as a going concern as discussed in Note 1 involves judgment regarding future funding available for its operations and working capital requirements.

Functional currency
The determination of the functional currency was based on management's judgment of the underlying transactions, events, and conditions relevant to each entity.

Business combination
Judgments are required in determining whether an acquisition constitutes a business combination or asset acquisition based on the criteria in IFRS 3 Business Combinations.

Leases
The incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right-of-use assets, lease liabilities, and the resulting interest expense and depreciation expense, may differ due to changes in the market conditions and lease term.

Impairment
Judgment is required to assess when impairment indicators are evident and impairment testing is required.

Revenue
The Company makes judgments in determining whether a performance obligation is distinct (i.e. if a service is separately identifiable from other services provided and if the customer can benefit from it). Judgments are required when evaluating when a performance obligation is satisfied, and revenue may be recognized. In making its judgments, management considers when a customer obtains control of the good or service being promised in the contract and whether another entity fulfilling remaining services would need to re-perform work completed to date. Judgments are also used to determine whether the Company acts as principal or agent on certain flow-throw charges to customers, such as freight costs incurred on the shipment of goods. The judgments made include whether the Company or a third-party controls the goods or services provided.

Current and deferred taxes
Tax interpretations, regulations, court rulings and legislation in the various jurisdictions in which the Company operates are subject to change. As such, current and deferred taxes are subject to measurement uncertainty. Management uses judgment to assess deferred tax assets at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

Cash
Cash consists of amounts held in banks.

Trade receivables
Trade receivables are recognized and carried at their original invoice amount less an allowance for uncollectible amounts. Balances are written off when the probability of recovery is assessed as being remote.

2. BASIS OF PREPARATION (cont'd…)

Significant accounting policies

Inventory

The Company values inventories at the lower of cost and net realizable value. Cost includes the costs of purchases net of vendor allowances plus other costs, such as transportation, that are directly incurred to bring the inventories to their present location and condition. The Company uses the weighted average method to determine the cost of inventories. The Company estimates net realizable value as the amount that inventories are expected to be sold while taking into consideration the estimated selling costs. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, or declining market prices. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is apparent evidence of an increase in selling price then the amount of the write-down previously recorded is reversed. Storage costs, indirect administrative overhead, and certain selling costs related to inventories are expensed in the period incurred.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL are included in the initial carrying value of the related instrument and are amortized using the effective interest method.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in the consolidated statement of loss and comprehensive loss.

Fair value estimates are made at the consolidated statement of financial position date based on relevant market information and information about the financial instrument. All financial instruments are classified into either: FVTPL or amortized cost.

The Company has made the following classifications:

Cash	FVTPL
Trade and other accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Related party receivables	Amortized cost
Related parties payables	Amortized cost
Loans payable	Amortized cost
Lease liabilities	Amortized cost
Government loan	Amortized cost

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are recognized in profit or loss when incurred. Subsequently they are measured at fair value, with gains and losses recognized in profit or loss.

Where management has opted or required to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

2. BASIS OF PREPARATION (cont'd…)

Significant accounting policies (cont'd…)

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost using the effective interest rate method, less any impairment for financial assets.

Impairment of financial assets

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be 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 decreased.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statements of loss and comprehensive loss. Loss allowances are based on the lifetime ECL that result from all possible default events over the expected life of the trade receivable, using the simplified approach.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statements of loss and comprehensive loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

Financial liabilities

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

Leases

Under IFRS 16 *Leases*, leases are recognized as a right-of-use ("ROU") asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability (principal) and interest. The interest is charged to the consolidated statements of loss and comprehensive loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The ROU asset is amortized on a straight-line basis over the shorter of the asset's useful life and the lease term on a straight-line basis.

2. BASIS OF PREPARATION (cont'd…)

Significant accounting policies (cont'd…)

The Company recognizes a ROU asset at cost consisting of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of any restoration costs and any initial direct costs incurred by the lessee. The provision for any restoration costs is recognized as a separate liability as set out in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

The Company recognizes a lease liability equal to the present value of the lease payments during the lease term that are not yet paid. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate. Lease payments to be made under certain extension options are also included in the measurement of the lease liability.

Payments associated with variable lease payments, short-term leases and leases of low value assets are recognized as an expense in the statement of operations. Short-term leases are leases with a lease term of twelve months or less.

Property and equipment
On initial recognition, equipment is 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, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within other income in profit or loss.

The depreciation rates applicable to each category of property and equipment are as follows:

Computer equipment	- Straight line	3 years
Manufacturing equipment	- Straight line	10 years
Office equipment	- Straight line	5 years
Vehicles	- Straight line	5 years
Leasehold Improvements	- Straight line	Term of the lease

Income taxes
Income tax is recognized in profit or loss except to the extent that it relates to equity items, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences do not result in deferred tax assets or liabilities: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting profit (loss) nor taxable profit (loss); and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position date.

2. BASIS OF PREPARATION (cont'd…)

Significant accounting policies (cont'd…)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share capital
Share issuance costs, which include commissions, facilitation payments, professional fees and regulatory fees, are charged directly to share capital.

Net loss per share
Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share are calculated using the treasury stock method. This method assumes that common shares are issued for the exercise of options, warrants and convertible securities and that the assumed proceeds from the exercise of options, warrants and convertible securities are used to purchase common shares at the average market price during the period. The difference between the number of shares assumed issued and the number of shares assumed purchased is then added to the basic weighted average number of shares outstanding to determine the fully diluted number of common shares outstanding. No exercise or conversion is assumed during the periods in which a net loss is incurred as the effect is anti-dilutive.

Related party transactions
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Parties are also considered to be related if they are subject to common control and related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Revenue recognition
The Company sells cleaning, disinfecting and descaling products to distributors, retailers and consumers. Revenue is measured at the amount of consideration to which the Company expects to be entitled to, net of incentives given to its customers. For sales to customers, revenues are recognized at a point in time when control of the goods has transferred to the customer, which is dependent on specific shipping terms. Following shipping, a distributor has full discretion over the manner of distribution and has the primary responsibility when selling the goods and bears the risks of obsolescence and loss in relation to the goods.

For sales to retailers and consumers, revenue is recognized when control of the goods has transferred, which is dependent on the specific shipping terms. Payment of the transaction price is due at the point in which control transfers.

The Company satisfies its performance obligation when the products are delivered to the distributors or customers.

Revenue is shown net of estimated returns and discounts.

2. BASIS OF PREPARATION (cont'd…)

Significant accounting policies (cont'd…)

Cost of sales
Cost of product sales includes the cost of finished goods inventory and costs related to shipping and handling and warehousing and fulfillment and other costs from online retailers.

Government assistance
The Company may receive government-funded assistance. When the assistance relates to an expense item, it is recognized as other income over the period necessary to match the amount to the costs that it is intended to compensate. When the assistance relates to an amount to be repaid, it is recognized as debt in accordance with the terms of the assistance. Amounts are recognized when loan proceeds are received, or when there is reasonable assurance that the Company has met the requirements of the approved government program and there is reasonable assurance that the amount will be received.

Foreign currencies
Transactions in currencies other than the Company's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Exchange differences on monetary items are recognized in the consolidated statement of loss and comprehensive loss in the period in which they arise.

The financial results of operations that have a functional currency different from the presentation currency are translated into the presentation currency. Income and expenditures of operations are translated at the average rate of the exchange for the year. All assets and liabilities are translated at the rate of exchange at the reporting date. Differences arising on translation are recognized as other comprehensive income (loss).

Business combination

The acquisition of a subsidiary or assets that meet the definition of a business under IFRS 3 Business Combinations ("IFRS 3)") is accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The identifiable assets acquired and liabilities and contingent liabilities assumed that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date, except for, deferred income taxes, employee benefit arrangements, share-based compensation, and assets held for sale, which are measured in accordance with their applicable IFRS. Any excess consideration over the fair value of the identifiable net assets is recognized as goodwill. Acquisition-related costs, other than those associated with the issuance of debt or equity, are recognized in profit or loss as incurred.

An acquisition of a subsidiary or assets that do not meet the definition of a business under IFRS 3 or which meet the optional test to identify a concentration of fair value is accounted for as an asset acquisition.
If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date. The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date up to a maximum of one year.

2. BASIS OF PREPARATION (cont'd…)

Significant accounting policies (cont'd…)

New and amended standards not yet adopted

The Company has reviewed new and amended accounting pronouncements that have been issued but are not yet effective and determined that the following pronouncements may impact the Company when adopted:

Amendments to IAS 16 Property, Plant and Equipment

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. Effective January 1, 2022, the amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize such sales proceeds and related cost in profit or loss.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

In May 2020, the IASB issued Onerous Contracts – Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Effective January 1, 2022, the amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

Amendments to IAS 1 Presentation of Financial Statements

In January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements to clarify the requirements for the presentation of liabilities as current or non-current in the statement of financial position. The amendments are effective on January 1, 2023.

3. REVERSE TAKE-OVER

On November 20, 2020 the Company entered into an Arrangement Agreement ("Arrangement") with CleanGo GreenGo under which a reverse acquisition transaction (the "Transaction" or "RTO") was ultimately completed on August 27, 2021. Under the terms of the Arrangement, the Company acquired all of the issued and outstanding common shares of CleanGo GreenGo. Upon closing, former CleanGo GreenGo shareholders held approximately 54% of the outstanding shares of the Company; accordingly, the Transaction is considered to be a reverse acquisition transaction under which CleanGo GreenGo is identified as the accounting acquirer.

Former SoftLab9 Technologies Inc. did not meet the definition of a business under IFRS 3 Business Combinations ("IFRS 3") prior to the transaction, the future consolidated financial statements of the combined entity will represent the continuation of CleanGo GreenGo. The Transaction is therefore accounted for in accordance with IFRS 2 Share-based Payment ("IFRS 2") whereby CleanGo GreenGo is deemed to have issued shares in exchange for the net assets of former SoftLab9 Technologies Inc. at the fair value of the consideration received by CleanGo GreenGo.

(Expressed in Canadian dollars)

3. REVERSE TAKE-OVER (cont'd…)

As a result of this asset acquisition, a listing expense of $6,394,123 has been recorded. This reflects the difference between the net assets received and the estimated fair value of consideration given as follows:

		Net assets acquired
Cash	$	932,303
Accounts receivables		102,734
Loans receivable		971,989
Accounts payable and accrued liabilities		(1,267,494)
Related parties payables		(28,031)
Loans payable		(99,730)
	$	611,771

		Consideration given
Share capital	$	6,312,718
Reserves for options and warrants assumed		693,176
	$	7,005,894

In connection with the acquisition, Softlab 9 completed a Private Placement consisting of the issuance of 545,625 Units at a unit price of $0.40 on August 19, 2021 and 1,954,375 Units at a price of $0.40 on August 26, 2021. The consideration given was valued at $0.32 per share price which was based on the value of the common shares within the Units.

The Company had a $928,526 loan outstanding with SoftLab9 which has been eliminated on completion of the RTO.

As a condition of the CSE to complete the RTO and adhere to the CSE policy on Builder Shares, related party debt of $109,510 was settled for common shares, cash capital contribution of $311,760 and 28,125 shares held by the CEO were cancelled. As a result, share capital increased by $421,271.

4. TRADE RECEIVABLES

		December 31, 2021		December 31, 2020
Trade receivables	**$**	**148,309**	$	78,448
Other receivables		**892**		18,440
Allowance for doubtful accounts		**-**		(68,833)
Ending balance	**$**	**149,201**	$	28,055

5. LOANS AND SHARE SUBCRIPTION RECEIVABLES

During the year, SoftLab 9 Technologies Inc. advanced $50,000 to Kosan Medical Company Ltd. The loan is non-interest bearing, secured by a general security agreement, and due within 180 days on demand. The Company recognized a $50,000 provision against the loan due to the risk of collecting the entire amount.

During the year, the Company provided funds to three related parties to assist in the purchase of shares, relating to Builder Shares (Note 3) in the amount of $322,260 as at December 31, 2021. The loans bear interest at a rate of 5% per annum, are due on demand and is secured by shares of the Company. In December 2021, services valued at $37,500 was provided as payment of one of the loans.

(Expressed in Canadian dollars)

6. INVENTORY

		December 31, 2021		December 31, 2020
Finished goods	**$**	**205,050**	$	193,610
Materials and supplies		**71,380**		68,703
Provision for inventory obsolescence		**(67,673)**		(67,854)
Ending balance	**$**	**208,757**	$	194,459

7. LEASES

In 2020, the Company entered into an office lease which expires in 2022.

Changes in the Company's ROU assets for the year are as follows:

Recognition of office lease at July 1, 2020	$	28,729
Amortization		(7,182)
Balance December 31, 2020	$	21,547
Amortization		(14,364)
Balance December 31, 2021		7,183

The changes in the Company's lease liability for the year are as follows:

		Lease liability
Recognition of office lease at July, 2020	$	28,729
Principal payments		(6,670)
Balance December 31, 2020		22,059
Principal payments		(14,144)
Balance December 31, 2021	$	7,915

8. PROPERTY AND EQUIPMENT

	Machinery and equipment	**Furniture and fixtures**	**Leasehold improvements**	**Vehicles**	**Computer equipment**	**Total**
Cost						
Balance December 31, 2020	$ 66,334	$ 3,367	$ 5,198	$ 9,990	$ 4,456	$ 89,345
Additions	1,144	-	-	7,239	-	8,383
Balance December 31, 2021	$ 67,478	$ 3,367	$ 5,198	$ 17,229	$ 4,456	$ 97,728
Depreciation						
Balance December 31, 2020	$ 861	$ 320	$ 1,300	$ 791	$ 1,851	$ 5,123
Depreciation expense	6,509	640	2,599	2,744	1,410	13,902
Balance December 31, 2021	$ 7,370	$ 960	$ 3,899	$ 3,535	$ 3,261	$ 19,025
Net book value						
December 31, 2021	$ 60,108	$ 2,407	$ 1,299	$ 13,694	$ 1,195	$ 78,703

(Expressed in Canadian dollars)

8. PROPERTY AND EQUIPMENT (cont'd…)

	Machinery and equipment	Furniture and fixtures	Leasehold improvements	Vehicles	Computer equipment	Total
Cost						
Balance December 31, 2019	$ -	$ -	$ -	$ -	$ 2,596	$ 2,596
Additions	66,780	3,367	5,198	9,990	1,860	87,195
Disposals	(446)	-	-	-	-	(446)
Balance December 31, 2020	$ 66,334	$ 3,367	$ 5,198	$ 9,990	$ 4,456	$ 89,345
Depreciation						
Balance December 31, 2019	$ -	$ -	$ -	$ -	$ 882	$ 882
Depreciation expense	861	320	1,300	791	1,029	4,301
Balance December 31, 2020	$ 861	$ 320	$ 1,300	$ 791	$ 1,851	$ 5,123
Net book value						
December 31, 2020	$ 65,473	$ 3,047	$ 3,898	$ 9,199	$ 2,605	$ 84,222

9. FINANCE EXPENSE

	December 31, 2021	December 31, 2020
Finance costs		
Finance income	**$ (56)**	$ -
Interest expense *(note 13)*	**17,854**	22,694
Interest on lease liability *(note 7)*	**2,394**	1,600
Accretion on Government loan *(note 10)*	**1,541**	-
	$ 21,733	$ 24,294

10. GOVERNMENT ASSISTANCE

In April 2021, the Company obtained a bank loan under the Canadian Emergency Business Account program ("CEBA Loan") in the amount of $60,000. Under the provision of the loan, if the principal amount of the loan is repaid by December 31, 2022, 25 percent of the loan amount is forgiven ($15,000). In addition, the loan is non-interest bearing until December 31, 2022. In the event the CEBA loan is not repaid by December 31, 2022, no amount will be forgiven, and the lender will automatically extend the loan by three years until December 31, 2025, and during the extension period, interest will be charged on the outstanding amount at a fixed rate of 5 percent. The Company has recognized the forgiveness amount and the interest benefit totalling $18,426 as other income during the period using an interest rate of 7.946 percent to discount the loan. The interest benefit will be accreted on a monthly basis up to the payable amount through interest expense.

During the year, the Company received $15,000 under the Government of Alberta's Small Medium Enterprise Relaunch Grant. The amount has been applied to the related expenses within general and administration expenses on the consolidated statement of loss and comprehensive loss.

(Expressed in Canadian dollars)

11. LOANS PAYABLE

During the year, $99,730 of non-interest bearing, unsecured loans to non-related companies were advanced and in October 2021 these loans were converted to shares at a price of $0.21 per share, which is based on the trading price of the Company's shares on the date of conversion.

12. SHARE CAPITAL

A. Authorized share capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

Issued share capital

	Number of shares		Amount
Balance December 31, 2019	5,962,031	$	593,896
Private placement – common shares (i)	4,688		6,586
Private placement – common shares (ii)	5,156		5,500
Private placement – common shares (iii)	28,125		30,000
Share issue costs	-		(2,092)
Balance December 31, 2020	6,000,000		633,890
Issued on RTO transaction *(note 3)*	4,999,212		6,312,718
Recapitalization of builder shares *(note 3)*	(28,125)		421,271
Shares issued due to debt extinguishment *(note 15)*	300,542		252,455
Balance December 31, 2021	**11,271,629**	**$**	**7,620,334**

On August 27, 2021, the Company completed a share consolidation on the basis of 1:0.75. As well, on December 13, 2021, the Company completed a share consolidation on the basis of 4:1.0. These consolidated financial statements reflect the retrospective application of these share consolidations.

(i) In the first quarter of 2020, the Company had a private placement offering to US subscribers for $0.20 USD per share for gross proceeds of $6,586.
(ii) In the first quarter of 2020, the Company had a private placement offering to Canadian subscribers for $0.20 per share for gross proceeds of $5,500.
(iii) In the last quarter of 2020, 28,125 founders shares were issued for settlement of debt in the amount of $750 owed to a related party.

B. Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants		Amount
Balance, December 31, 2020 and 2019	-	$	-
Purchase of warrants on RTO transaction (i)	1,387,206		661,686
Warrants issued related to debt extinguishment (ii)	148,118		28,043
Balance, December 31, 2021	**1,535,324**	**$**	**689,729**

(Expressed in Canadian dollars)

12. SHARE CAPITAL (cont'd…)

(i) On the closing of the RTO transaction, the Company assumed the existing warrants of SoftLab9. The fair value was determined using the Black-Scholes model with the following assumptions: risk free interest rate between 0.40% – 0.43%; dividend yield – 0%; expected volatility between 140% – 160%; life of warrants between 0.8 – 1.5 years.

(ii) The Company issued warrants of CleanGo Innovations related to the debt extinguishment (Note 15) that occurred on October 27, 2021. The fair value was determined using the Black-Scholes model with the following assumptions: risk free interest rate between 0.98%; dividend yield – 0%; expected volatility 160%; life of warrants 1.5 years. The following table reflects the warrants issued and outstanding as of December 31, 2021.

Expiry date	Exercise price per warrant ($)	Outstanding	Fair value
June 18, 2022	0.60	397,403	164,422
July 21, 2022	0.60	677,303	286,762
February 9, 2023	0.70	68,203	46,159
February 26, 2023	0.70	244,297	164,343
April 27, 2023	0.70	135,618	26,182
April 27, 2023	1.25	12,500	1,861
	0.62	1,535,324	$ 689,729

C. Stock Options

The following table summarized the continuity of stock options:

	Number of Stock Options	Weighted average exercise price
Balance, December 31, 2020 and 2019	-	-
Assumed pursuant to RTO (Note 3)	39,500	0.12
Balance, December 31, 2021	39,500	0.12

On the closing of the RTO transaction, the Company assumed the existing options of SoftLab9. The fair value was determined using the Black-Scholes model using the following assumptions: risk free interest rate – 0.40%; dividend yield – 0%; expected volatility – 161%; life of options 0.16 years.

Additional information regarding the outstanding stock options at December 31, 2021 is as follows:

Expiry Date	Exercise Price	Options Outstanding	Remaining Life (Years)	Options Exercisable
October 25, 2021	$0.12	39,500	-	39,500
	$0.12	39,500	-	39,500

(Expressed in Canadian dollars)

13. RELATED PARTY TRANSACTIONS

Key management personnel:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. Related party transactions are in the normal course of operations and initially measured at fair value. Amounts due to or from related parties are non-interest bearing, due on demand and unsecured, unless specified. The following related party transactions represent amounts incurred during the year:

		December 31, 2021		December 31, 2020
Consulting fees	$	**287,995**	$	129,144
Legal fees		**127,465**		-
Interest		**10,455**		12,536
	$	**425,915**	$	141,680

Summary of amounts payable to related parties:

		December 31, 2021		December 31, 2020
Directors and officers	$	**272,891**	$	325,791
Companies owned by directors		**229,609**		231,890
Family member of officer and directors		**-**		5,591
Ending balance	$	**502,500**	$	563,272
Less amount in accounts payable and accrued liabilities		**(26,367)**		-
Less current portion		**(476,133)**		(87,932)
	$	**-**	$	475,340

The amounts due to directors and management originated from expenses incurred by the directors and management on the behalf of the Company. One of the payables to the Company owned by directors of $209,600 (2020 - $231,890) is a US dollar denominated payable in the amount of US $166,845 (2020 - $182,132) related to the acquisition of a worldwide licensing agreement in 2014. CleanGo received a waiver subsequent to December 31, 2021 from the company whereby the amount owing will not be called before 2023. Advances from the CEO/director are unsecured, bear interest at a rate of 5 percent per annum and is due on demand. CleanGo received a waiver subsequent to December 31, 2021 from the CEO/director whereby $270,000 of the amount owing will not be called before 2023.

14. SEGMENTED INFORMATION

The Company has two reportable and operating segments which supply cleaning and disinfecting products to customers directly or through online distributers.

The Company operates in two geographical areas, Canada and the United States ("US"). The Company's revenue from external customers and information about non-current assets by location of assets are detailed below:

Revenue		December 31, 2021		December 31, 2020
Canada	$	**132,025**	$	59,313
US		**14,733**		131,033
	$	**146,758**	$	190,346

(Expressed in Canadian dollars)

15. SEGMENTED INFORMATION (cont'd…)

Inventory		**December 31, 2021**		December 31, 2020
Canada	**$**	**152,367**	$	141,342
US		**56,391**		53,117
	$	**208,758**	$	194,459

Non-current assets		**December 31, 2021**		December 31, 2020
Canada	**$**	**85,886**	$	105,769
US		**-**		-
	$	**85,886**	$	105,769

16. GAIN ON DEBT SETTLEMENT

A gain of $239,675 was recognized in 2021 resulting from the settlement of $520,173 of debt, including the loans payable (Note 13). Details of this transaction are as follows:

	Number		**Value**
Common shares issued	300,542	$	252,455
Warrants issued	148,118	$	28,043
Total		**$**	**280,498**

17. CAPITAL MANAGEMENT

The Company defines capital as consisting of shareholders' deficit. The Company's objectives when managing capital are to support the further advancement of the Company's business objectives and existing product lines, as well as to ensure that the Company is able to meet its financial obligations as they become due.

The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The approach to capital management has not changed since the prior year, and the Company is not subjected to externally imposed capital requirements.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value risk

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: Inputs that are not based on observable market data

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Trade receivables, other receivables, accounts payable and accrued liabilities, loan from SoftLab and related party payables approximate their fair value due to their short-term maturities. Cash under the fair value hierarchy are based on Level 1 quoted prices in active markets for identical assets or liabilities. Fair value of the Government loan approximate carrying value due to the effective interest rate used in the calculation of the carrying value.

b) Market risk

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises two main types of risk: currency risk and interest rate risk and are disclosed as follows:

(i) Currency risk

Currency risk is the risk of change in profit or loss that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company undertakes sales and purchase transactions in foreign currencies and is therefore subject to gains and losses due to fluctuations in foreign currency exchange rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The consolidated statements of financial position include the following amounts with respect to financial assets and liabilities for which cash flows are originally denominated in US dollars:

		December 31, 2021		December 31, 2020
Cash	**$**	**4,413**	$	2,101
Trade receivables	**$**	**52**	$	2,955
Accounts payable and accrued liabilities	**$**	**(6,379)**	$	(1,820)
Related party payables	**$**	**(210,775)**	$	(227,816)

As at December 31, 2021, if a shift in foreign currency exchange rates of 10% were to occur, the foreign exchange gain or loss on the Company's net monetary assets could change by approximately $21,269 (as at December 31, 2020 – $28,600) due to the fluctuation, and this would be recorded in the consolidated statements of loss and comprehensive loss.

(ii) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates as its loans are non-interest bearing.

c) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

All the Company's cash is held through a Canadian and American chartered bank and accordingly, the Company's exposure to credit risk is considered to be limited.

The Company's trade receivables exposure to credit risk is considered to be limited. The Company's accounts receivable consists of amounts due from various customers. The maximum exposure to credit risk is equal to the carrying value of accounts receivable. The business models of the Company's respective segments require analysis of credit risk specific to each business line. The Company's historic rate of bad debts is low, however there was a $10,800 provision taken in 2021 and a $70,647 provision taken in 2020 which was primarily related to royalties owed from a new US customer who was to have white labeled the Company's product and sold it through their distribution network.

(Expressed in Canadian dollars)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

The Company applies the simplified approach to providing for ECL's prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the ECL, trade receivables are assessed primarily on days past due combined with the Company's knowledge of past bad debts.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At December 31, 2021, the Company's cash balance of $295,750 (2020 - $212,052) is unable to settle current liabilities of $1,440,670 (2020 - $1,240,460). The Company manages its liquidity risk by attempting to maintain sufficient cash balances to enable settlement of transactions on the due date. Due to the working capital deficiency, the Company will need to seek further sources of cashflows through increase revenue and/or additional equity or debt financings.

19. INCOME TAXES

The income tax provision is as follows:

		December 31, 2021		December 31, 2020
Loss before taxes	**$**	**(6,946,726)**	$	(622,852)
Income tax rate		**23%**		24.4%
Expected income tax recovery		**(1,597,747)**		(151,856)
Non-deductible charges		**1,416,358**		24,977
Effects relating to change in income tax rates		**93,552**		26,983
Deferred tax benefits not recognized		**87,837**		99,896
Tax provision (recovery)	**$**	**-**	$	-

Significant components of deferred tax assets are as follows:

		December 31, 2021		December 31, 2020
Deferred tax (liability)/asset				
Property and equipment	**$**	**(1,652)**	$	(4,956)
Allowance for slow-moving inventory		**(11,873)**		-
Non-capital losses		**13,525**		4,956
Deferred tax asset (liability)	**$**	**-**	$	-

The following provides details of unrecognized deductible temporary differences and unused losses for which no deferred tax asset has been recognized:

		December 31, 2021		December 31, 2020
Property and equipment	**$**	**586,366**	$	69,529
Lease obligation		**5,520**		22,059
Allowance for slow moving inventory		**-**		67,854
Share issue costs		**237,816**		14,580
Non-capital losses carried forward		**1,722,387**		1,187,525
Total available tax pools	**$**	**2,552,089**	$	1,361,547

Deferred tax assets have not been recognized in respect of these items because it is not currently probable that future taxable profit will be available against which the Company can utilize the benefits.

At December 31, 2021, the Company's non-capital losses are deductible from future years' taxable income and expire between 2030 – 2041.

(Expressed in Canadian dollars)

20. SUPPLEMENTARY CASH FLOW INFORMATION

The change in non-cash working capital comprises the following:

		December 31, 2021		December 31, 2020
Changes in non-cash working capital	**$**		$	
Trade and other receivables		**(24,212)**		(26,678)
Deposits and prepaid expenses		**2,214**		(12,050)
Inventory		**(14,117)**		(200,489)
Accounts payable and accrued liabilities		**(547,459)**		193,909
Related parties payables		**93,487**		(487,301)
	$	**(490,087)**	$	(532,609)

21. SUBSEQUENT EVENTS

On January 4, 2022, the Company granted incentive stock options to certain directors, officers and consultants of the Company to acquire an aggregate of 1,100,000 common shares in the capital of the Company. 1,012,500 were issued at an exercise price of $0.65 and 87,500 were issued at an exercise price of $0.60 in accordance with the Company's incentive stock option plan. The Options are exercisable for a five-year term.

On March 18, 2022, the Company agreed with certain of its creditors to settle certain debt in the amount of $116,750. In settlement of the Debt, the Company will issue 183,409 Shares ("Debt Shares") at a deemed price of $0.55 and a total of 31,750 Units at a deemed price of $0.50, which consist of one common share and one-half share purchase warrant, with each full warrant for an additional share at an exercise price of $0.60 for a period of 12 months. All Debt Shares issued pursuant to the debt conversion will be subject to a four (4) month hold period.

22. COMPARITIVE FIGURES

Certain of the comparative figures at December 31, 2020 have been reclassified to conform with the current year's presentation.