COGNETIVITY NEUROSCIENCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended January 31, 2022 and 2021

(EXPRESSED IN CANADIAN DOLLAR)

Management's Responsibility for Financial Reporting

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board of Directors is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

June 3, 2022

"Sina Habibi"
Director

"David Velisek"
Director

Independent Auditor's Report

To the Board of Cognetivity Neurosciences Ltd.:

Opinion

We have audited the consolidated financial statements of Cognetivity Neurosciences Ltd. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at January 31, 2022 and January 31, 2021, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity (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 January 31, 2022 and January 31, 2021, 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 had an accumulated deficit and working capital deficiency as at January 31, 2022. 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 Jenny Lee.

Vancouver, British Columbia

MNP LLP

June 3, 2022

Chartered Professional Accountants

MNP

Cognetivity Neurosciences Ltd.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at	Note	January 31, 2022	January 31, 2021
		$	$
ASSETS			
Current			
Cash		1,377,039	1,359,851
Due from related parties		-	14,939
Interest and tax receivable		210,292	67,402
Loan receivable	**5**	221,476	-
Prepaids		47,303	309,013
Total Current Assets		1,856,110	1,751,205
Equipment	**6**	63,395	44,415
Intangible assets	**7**	85,325	32,179
TOTAL ASSETS		2,004,830	1,827,799
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		1,753,793	637,299
Convertible debentures	**8**	-	313,658
Due to related parties	**10**	2,360,787	13,931
Shares to be issued	**13**	146,020	-
Loan facility	**11**	1,294,608	-
		5,555,208	964,888
Non-Current Liabilities			
Due to related parties	**10**	2,125,000	-
Total Liabilities		7,680,208	964,888
SHAREHOLDERS' EQUITY			
Common shares	**9**	12,879,760	9,873,571
Equity portion of convertible debentures	**8**	-	34,851
Reserves	**9**	5,393,046	1,821,894
Deficit		(23,964,858)	(10,837,531)
Accumulative other comprehensive gain (loss)		16,674	(29,874)
Total Shareholders' Equity (Deficiency)		(5,675,378)	862,911
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,004,830	1,827,799

Nature of operations and going concern (Note 1)
Subsequent events (Note 19)
Approved on Behalf of the Board of Directors on June 3, 2022:

"Sina Habibi" Director
Sina Habibi

"David Velisek" Director
David Velisek

The accompanying notes are integral to these consolidated financial statements.

Cognetivity Neurosciences Ltd.
Consolidated Statements of Operations and Comprehensive Loss
For the Years Ended January 31,
(Expressed in Canadian dollars)

	Notes	2022 $	2021 $
Expenses			
Accretion expenses	8	12,587	62,338
Consulting fees		3,286,438	547,092
Depreciation	7	24,530	11,448
Foreign exchange loss (gain)		19,274	(5,616)
General and administration		178,621	117,840
Marketing and advertising		945,807	230,798
Professional fees		288,467	126,913
Rent		70,918	103,564
Research and development		491,228	70,996
Salaries and benefits		4,019,164	1,115,622
Share-based payment	9	3,678,650	75,536
Transfer agent and regulatory		53,644	52,973
Travel		19,997	4,909
		(13,089,325)	(2,514,413)
Other Income (Expense)			
Interest expense		(47,964)	(500)
Loss on asset disposal		(844)	-
(Loss) Gain on debt settlement		(10,198)	8,998
Other income	12	21,004	580,103
Net loss before income taxes		(13,127,327)	(1,925,812)
Income tax		-	(2,285)
Net Loss		(13,127,327)	(1,928,097)
Other Comprehensive Loss (Income)			
Items that will be reclassified subsequently to loss (income)			
Unrealized gain (loss) on foreign exchange translation		46,548	(17,066)
Comprehensive Loss		(13,080,779)	(1,945,163)
Basic and diluted loss per common share		(0.18)	(0.03)
Weighted average number of common shares outstanding – Basic and diluted		73,057,477	58,675,419

The accompanying notes are integral to these consolidated financial statements

Cognetivity Neurosciences Ltd.
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian dollars)

	Common Share		Class B Share					
	Number of Shares		Number of Shares	Equity Portion of Convertible Debentures	Reserves	AOCI	Deficit	Shareholders' Equity (Deficiency)
	#	$	#	$	$	$	$	$
Balance - January 31, 2020	49,466,487	7,031,074	10,000,002	41,028	1,587,105	(12,808)	(8,909,434)	(263,035)
Shares issued from private placement, net of share issuance costs	8,984,167	2,366,351	-	-	172,082	-	-	2,538,433
Conversion of Class B Preferred Shares to Common shares	10,000,002	-	(10,000,002)	-	-	-	-	-
Shares issued from debt settlement	721,568	132,592	-	-	-	-	-	132,592
Shares issued from warrant exercised	951,300	238,453	-	-	(628)	-	-	237,825
Shares issued from option exercised	100,000	26,701	-	-	(12,201)	-	-	14,500
Shares issued for services	50,000	14,250	-	-	-	-	-	14,250
Shares issued for conversion debentures	214,183	64,150	-	(6,177)	-	-	-	57,973
Stock options granted and vested	-	-	-	-	59,537	-	-	59,537
Issuance of restricted share units	-	-	-	-	15,999	-	-	15,999
Net loss and comprehensive loss for the year	-	-	-	-	-	(17,066)	(1,928,097)	(1,945,163)
Balance - January 31, 2021	70,487,707	9,873,571	-	34,851	1,821,894	(29,874)	(10,837,531)	862,911
Balance - January 31, 2021	70,487,707	9,873,571	-	34,851	1,821,894	(29,874)	(10,837,531)	862,911
Shares issued from private placement, net of share issuance costs	2,416,181	1,120,697	-	-	152,839	-	-	1,273,536
Shares issued from warrant exercised	3,312,523	826,510	-	-	(44,363)	-	-	782,147
Shares issued from option exercised	750,000	391,988	-	-	(171,488)	-	-	220,500
Shares issued for services	452,632	305,898	-	-	-	-	-	305,898
Shares issued for conversion debentures	1,983,513	361,096	-	(34,851)	-	-	-	326,245
Stock options granted and vested	-	-	-	-	552,947	-	-	552,947
Issuance of restricted share units	-	-	-	-	3,081,217	-	-	3,081,217
Net loss and comprehensive loss for the year	-	-	-	-	-	46,548	(13,127,327)	(13,080,779)
Balance - January 31, 2022	79,402,556	12,879,760	-	-	5,393,046	16,674	(23,964,858)	(5,675,378)

The accompanying notes are integral to consolidated financial statements

Cognetivity Neurosciences Ltd.
Consolidated Statements of Cash Flows
For the Years January 31,
(Expressed in Canadian dollars)

	2022 $	2021 $
Net loss for the year	(13,127,327)	(1,928,097)
Non-cash items:		
Accretion expense	12,587	62,338
Depreciation	24,530	11,448
Disposal of equipment	844	-
Gain on Debt Settlement	10,198	(8,998)
Income tax recovery	-	2,285
Shares-based payment	3,678,650	75,536
Shares issued for services	305,898	14,250
Foreign exchange gain or loss	(66,514)	(13,521)
Changes in non-cash operating working capital:		
Other receivable	(148,309)	(19,620)
Prepaids	260,688	(223,159)
Accounts payable and accrued liabilities	1,312,277	143,874
Due to related parties	4,521,944	(75,077)
Net cash used in operating activities	(3,214,534)	(1,958,741)
Cash flows from investing activities:		
Acquisition of equipment	(61,054)	(18,479)
Acquisition of patents	(38,957)	(31,602)
Net cash used in investing activities	(100,011)	(50,081)
Cash flows from financing activities:		
Proceeds from loan facility	1,274,725	-
Proceeds from private placement, net issuance costs	1,273,536	2,538,433
Proceeds from warrants exercised	563,530	237,825
Proceeds from options exercised	220,500	14,500
Net cash provided by financing activities	3,332,291	2,790,758
Effect of foreign exchange on cash	(558)	(314)
Net increase in cash	17,188	781,622
Cash, beginning of the year	1,359,851	578,229
Cash, end of the year	1,377,039	1,359,851

Non-cash financing and investing activities (Note 14)

The accompanying notes are integral to these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Cognetivity Neurosciences Ltd. (the "Company") was incorporated on December 11, 2015 under the laws of British Columbia, Canada. Its head office is located at Suite 2250, 1055 West Hastings Street, Vancouver BC, V6E 2E9, Canada and registered office is located at Suite 1500, 1055 W. Georgia St., Vancouver, BC, V6E 4N7, Canada. The Company is a technology company developing a cognitive testing platform, the Integrated Cognitive Assessment (ICA), for use in medical and commercial environments for potentially allowing early diagnosis of dementia.

The Company's common shares commenced trading on the Canadian Securities Exchange (the "CSE") on March 19, 2018 under the stock symbol "CGN". The Company also commenced trading on the Frankfurt Stock Exchange in Germany under the stock symbol "IUB" and the OTCQB in USA under the stock symbol "CGNSF" on May 3, 2018 and September 4, 2018 respectively.

These consolidated financial statements have been prepared using International Financial Reporting Standards applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

Going Concern & Impact of COVID-19

The Company's operations have been adversely affected by the effects of a widespread global outbreak of the recent outbreak of respiratory illness caused by COVID-19. As of January 31, 2022, the Company has not noted any significant impairment as a result of COVID-19. The uncertain future impact of COVID-19 could generate. As an emerging risk, the duration and full financial effect of the COVID-19 pandemic is unknown at this time, and accordingly estimates of the extent to which the COVID-19 may materially and adversely affect the Company's consolidated financial condition, operations and consolidated financial results are subject to significant uncertainty.

The development of the Company's business may take years to be successful and the amount of resulting income, if any, is difficult to determine with any certainty. On January 31, 2022, the Company has not yet achieved profitable operations, has an accumulated deficit of $23,964,858 (January 31, 2021 - $10,837,531), and working capital deficiency of $3,699,098 (January 31, 2021 – working capital of $786,317), and expects to incur losses in the development of its business. Accordingly, there is a material uncertainty that may cast significant doubt on Company's ability to continue as going concern. The continuing operations of the Company are dependent upon economic and market factors which involve uncertainties including the Company's ability to raise adequate equity financing and ultimately develop profitable operations.

These consolidated financial statements do not reflect any adjustments, which could be material, to the carrying amounts of assets and liabilities, reported expenses, and balance sheet classification used, that would be necessary if the Company were unable to continue as a going concern.

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements are prepared in accordance with International Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were approved and authorized for issue by the Board of Directors on June 3, 2022.

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except cash flow information.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The Company has initially applied IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform from February 1, 2021, but they do not have a material impact on these consolidated financial statements.

a. Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. All significant intercompany transactions and balances have been eliminated

The Company had the following wholly owned subsidiaries:

Entity	Country of incorporation/ Principal place of business	Ownership January 31, 2022	Ownership January 31, 2021	Principal activities
Cognetivity Ltd. ("Cog UK")	United Kingdom	100%	100%	Operational centre
Cognetivity FZ-LLC. ("Cog Dubai")	Dubai	100%[1]	-	Sales centre

(1) Owned through Cog UK

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar ("C$"). Cognetivity Ltd is the British Pounds ("GBP") and Cognetivity FZ-LLC. is the Utd. Arab Emir. Dirham ("AED"). The reporting currency of the Company is Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, "The Effects of Changes in Foreign Exchange Rates".

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of comprehensive loss in the period in which they arise, except for the exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

c. Cash

Cash consists of cash on deposit in Canadian and UK banks and are subject to negligible risk of changes in value.

As at January 31, 2022, the Company had cash of $1,377,039 (2021-$1,359,851) of which $1,362,912 (2021 - $1,334,288) was placed with bank in Canada and $14,127 (2021-$25,563) was placed with bank in UK.

d. Equipment

Equipment is stated at cost less accumulated amortization and any accumulated impairment losses. The cost of equipment includes the acquisition costs and any direct costs to bring the asset into productive use at its intended location.

Amortization of equipment is calculated using the straight-line method to write-off the cost, net of any estimated residual value, over their estimated useful life as follows:

Computer equipment	5 years

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Intangible assets

Intangible assets include related costs incurred for acquiring patents and trademarks. Intangible assets are carried at cost less accumulated amortization. The Company amortizes its intangible assets using the straight-line method over their estimated useful lives, as follows:

	Method	useful lives
Patents	straight-line	13 years
Trademark	straight-line	10 years

Intangible assets are tested for impairment on an annual basis or more frequently if there are indicators that intangible assets may be impaired.

f. 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, 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.

g. Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the Consolidated Statements of Operations and Comprehensive Loss.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is 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. No development costs have been capitalized to date.

R&D tax credits are recorded as a reduction of the related research and development expenditures upon receipts from the tax authority in the UK. These non-repayable R&D tax credits are earned in respect to research and development costs incurred in the UK and are recorded as a reduction of the related research and development expenditures, provided that there is reasonable assurance that the credit will be recovered.

h. Financial instruments

(i) Classification

The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Financial instruments (continued)

(i) Classification (continued)

For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of the Company's financial instruments:

Financial assets	**Classification**
Cash	Amortized cost
Interest receivable	Amortized cost
Loan receivable	Amortized cost
Due from related parties	Amortized cost

Financial liabilities	**Classification**
Accounts payable and accrued liabilities	Amortized cost
Convertible debentures	Amortized cost
Due to related parties	Amortized cost
Loan facility	Amortized cost
Shares to be issued	FVTPL

(ii) Measurement

<u>Financial assets and liabilities at amortized cost</u>

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 less any impairment.

<u>Financial instruments at fair value</u>

Financial instruments are initially and subsequently measured at fair value. Transaction costs are accounted for in the consolidated statements of operations and comprehensive loss. When the Company elects to measure a financial liability at FVTPL, gains or losses related to the Company's own credit risk are accounted for in the consolidated statements of operations and comprehensive loss.

(iii) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company shall recognize in the Consolidated Statements of Operations and Comprehensive Loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Convertible debentures

Upon issuance, convertible debentures are separated into the debt and conversion feature components. The debt component of the convertible debenture is recognized initially at fair value of a similar debt instrument without a conversion feature. Subsequent to initial recognition, the debt component of a compound financial instrument is measured at amortized cost using the effective interest method.

The conversion feature of the convertible debentures is initially recognized at fair value. The convertible debentures are convertible into units of the Company at the holder's option. As a result of this obligation, the convertible debentures are convertible into equity, and accordingly, the conversion feature component of the convertible debentures is also equity.

j. Share capital

Common shares, Class B Shares, and special warrants are classified as equity. Transaction costs directly attributable to the issuance of common shares, Class B Shares and special warrants are recognized as a deduction from equity.

k. Share-based payments transactions

The Company's stock-based compensation includes grants of stock options and restricted share units ("RSUs"). The stock option plan allows Company directors, officers, employees and consultants to acquire shares of the Company. The fair value of share purchase options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. The fair value is measured at grant date and the share-based compensation is expensed based on graded vesting. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value of the share purchase options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the share purchase options were granted. Forfeiture rates are estimated in advance and are used in the estimate of the share-based expense for the financial statement period.

The Company accounts for RSUs issued to employees and non-employees (consultants and advisory board members) based on the fair market value of the Company's common stock as of the date of issuance.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Warrants

Proceeds from issuances by the Company of units consisting of common shares and warrants other than the special warrants are allocated based on the residual method, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the common shares. If the proceeds from the offering are less than or equal to the estimated fair market value of common shares issued, a nil carrying amount is assigned to the warrants.

m. Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statements of operation and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

Deferred tax is recognized 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. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

n. Government grant

Government grant is recognized when there is reasonable assurance that the Company will comply with any conditions attached to the grant and the grant will be received. Government grant is recognized in profit or loss to offset the corresponding expenses on a systematic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate, which in the case of grants related to assets requires setting up the grant as deferred income or deducting it from the carrying amount of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Loss per share

The Company presents the basic and diluted earnings or loss per share data for its common shares, calculated by dividing the earnings or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings or loss per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

p. Comprehensive loss

Comprehensive loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net profit such as unrealized gains or losses on FVTOCI, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive loss is presented in the Consolidated Statements of Operations and Comprehensive Loss and the Consolidated Statements of Changes in Equity.

q. New accounting standard adopted

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (Phase 2)

In August 2020, the IASB issued Interest Rate Benchmark Reform (Phase 2), which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and measurement, IFRS 7 Financial Instruments: Disclosures and IFRS 16 Leases. The Phase 2 amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. These amendments complement those issued in 2019 and focus on issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted.

The Company has concluded that no significant impact will result from the application of the Phase 2 amendments.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The consolidated financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences.

Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

The following are the critical judgments and areas involving estimates, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognized in the consolidated financial statements.

a. Key sources of estimation uncertainty

Recoverability of deferred tax assets

The Company recognizes the deferred tax benefit related to deferred tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in the future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Fair value calculation of share-based payments

The fair value of share-based payments in relation to the reverse takeover is calculated using a Black Scholes option pricing model. There are a number of estimates used in the calculation such as the expected option life and the future price volatility of the underlying security which can vary from actual future events. The factors applied in the calculation are management's best estimates based on industry average and future forecasts.

Fair value calculation of liability portion of convertible debentures

The Company applied judgment and estimates when determining the fair value of its convertible debenture (see Note 8).

b. Critical judgments in applying accounting policies

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the year ended January 31, 2021. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing.

As a result of the assessment, management concluded the going concern basis of accounting is appropriate based on its access to replacement financing for the future twelve months.

(Expressed in Canadian dollars)

5. LOAN REIVABLES

On September 26, 2021, the Company entered into a promissory note ("Loan") with, Sina Habibi, the CEO and director of the Company ("Borrower"). The Company loan to Borrower for a total amount of $219,000 with maturity of March 26, 2022 ("Due Date") at an interest rate of 3.75% per annum, calculated and compounded monthly in arrears, and payable at the expiry of the term.

The Loan will be secured by way of a hypothecation of 1,457,449 common shares of the Company, registered in the name of Sina Habibi's spouse, with authority and direction hereby to sell such number of shares to satisfy repayment of the Loan plus the interest rate in the event of default by the Borrower.

This Note may be paid in advance of the Due Date in whole or in part at any time without premium or penalty.

As at January 31, 2022, the Company has accrued interest of $2,476 (October 31, 2021-$nil) on the outstanding balance included in loan receivable.

On May 12, 2022, the Company and Borrower signed amended promissory note agreement ("Agreement"). Per the Agreement, the due date of the Loan will be extended until June 26, 2022.

6. EQUIPMENT

Cost	$
As at January 31, 2020	51,484
Additions	18,479
Disposal	-
Effect of change in exchange rate with GBP	630
As at January 31, 2021	70,593
Additions	40,868
Disposal	(3,965)
Effect of change in exchange rate with GBP	(2,066)
As at January 31, 2022	105,430
Accumulated depreciation	
As at January 31, 2020	14,438
Additions	11,450
Disposal	-
Effect of change in exchange rate with GBP	290
As at January 31, 2021	26,178
Additions	17,856
Disposal	(1,209)
Effect of change in exchange rate with GBP	(790)
As at January 31, 2022	42,035
Net book value	
January 31, 2021	44,415
January 31, 2022	63,395

(Expressed in Canadian dollars)

7. INTANGIBLE ASSETS

	Patents	Trademarks	Total
Cost	$	$	$
As at January 31, 2020	-	-	-
Additions	32,179	-	32,179
As at January 31, 2021	32,179	-	32,179
Additions	7,113	53,941	61,054
Effect of change in exchange rate with GBP	(867)	(420)	(1,287)
As at January 31, 2022	38,425	53,521	91,946
Accumulated depreciation			
As at January 31, 2021 and 2020	-	-	-
Additions	3,255	3,419	6,674
Effect of change in exchange rate with GBP	(26)	(27)	(53)
As at January 31, 2022	3,229	3,392	6,621
Net book value			
January 31, 2021	32,179	-	32,179
January 31, 2022	35,196	50,129	85,325

8. CONVERTIBLE DEBENTURES

a) On August 14, 2019, the Company entered into convertible loan agreements with arm's length lenders and issued convertible notes (the "Notes") in the aggregate principal amount of $168,000. The Notes bear interest at 8% per annum and matures 12 months from the date of issuance (the "Maturity Date"). The Notes can be converted into a number of units of the Company (the "Units") at $0.26. Each Unit will be comprised of one share and one share purchase warrant of the Company. Each warrant entitles the holder thereof to acquire one share at $0.30 per share for two years. During the year ended January 31, 2021, $50,000 of Notes with unpaid interest of $5,688 were converted into the Company's common shares and warrants and a total of 214,183 units were issued upon conversion (Note 9). The equity component of the Notes of $8,462 with the fully accreted debt component was reclassified into share capital of the Company upon the conversion. During the year ended January 31, 2022, $118,000 of Notes with unpaid interest of $18,777 were converted into the Company's common shares and warrant and a total of 526,064 units were issued upon conversion (Note 9). The equity component of the Notes of $14,578 with the fully accreted debt component was reclassified into share capital of the Company upon the conversion.

b) On September 26, 2019, the Company entered into a convertible loan agreement with the CEO and Director of the Company and issued a convertible note (the "Note") in the aggregate principal amount of $164,110. The Note bears interest at 8% per annum and matures 12 months from the date of issuance (the "Maturity Date"). The Note can be converted into a number of units of the Company (the "Units") at $0.13. Each Unit will be comprised of one share and one share purchase warrant of the Company. Each warrant entitles the holder thereof to acquire one share at $0.15 per share for two years. During the year ended January 31, 2022, $164,110 of Notes with unpaid interest of $25,358 were converted into the Company's common shares and warrant and a total of 1,457,449 units were issued upon conversion (Note 9). The equity component of the Notes of $20,273 with the fully accreted debt component was reclassified into share capital of the Company upon the conversion.

(Expressed in Canadian dollars)

8. CONVERTIBLE DEBENTURES (continued)

Upon recognition of the convertible debentures, the fair value allocated to the equity component of the Convertible Debentures is offset by deferred taxes of $15,175.

Convertible Debentures	(a)	(b)	Total
January 31, 2020	$157,656	$149,352	$307,008
Accretion and interest expense recognized during the year	29,894	32,444	62,338
Conversion to common shares	(55,688)	-	(55,688)
January 31, 2021	$131,862	$181,796	$313,658
Accretion and interest expense recognized during the year	4,915	7,672	12,587
Conversion to common shares	(136,777)	(189,468)	(326,245)
January 31, 2022	$ -	$ -	$ -

9. SHARE CAPITAL

Authorized: Unlimited common shares without par value
Unlimited Class B Shares without par value

The holders of the Class B Shares are not entitled to receive notice of and to attend any meeting of the shareholders of Cognetivity or to vote on any matter at any meetings of shareholders of Cognetivity.

The holders of Class B Shares are not entitled to receive dividends. The holders of the Class B Shares shall be entitled, in the event of any liquidation, dissolution or winding up, whether voluntary or involuntary, or any other distribution of assets among the Company's shareholders for the purpose of winding up its affairs, to share rateably, together with the holders of common shares in such assets of Cognetivity as are available for distribution.

Each Class B Share shall automatically convert into one common share, without payment of additional consideration, upon Cognetivity attaining the CE Marketing approval for the cognitive assessment tool kit as a medical device.

All Class B Shares are not subject to any pre-emptive rights, retraction or surrender provisions, sinking or purchase fund provisions, provisions permitting or restricting the issuance of additional securities or provisions requiring a shareholder to contribute additional capital. The Class B Shares shall not be subdivided, consolidated, reclassified or otherwise changed unless contemporaneously therewith the common shares are adjusted proportionately.

A. Issued shares

During the year ended January 31, 2022:

a) On March 24, 2021, the Company issued 115,132 common shares to a consultant for services provided to the Company for an amount of $85,198.

b) On October 8, 2021, the Company issued 117,500 common shares to a consultant for services provided to the Company for an amount of $79,900.

9. SHARE CAPITAL (continued)

A. Issued shares (continued)

c) On November 4, 2021, the Company issued 220,000 common shares to a consultant for services provided to the Company for an amount of $140,800.

d) On January 28, 2022, the Company completed a non-brokered private placement of 2,416,181 units at a price of $0.55 per Unit for gross proceeds of $1,328,900. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase an additional share at a price of $0.85 until January 28, 2025. The fair values of warrants issued pursuant to the private placement financings have been estimated at the issue date using the residual method valuation. Given the market price of the Company's common shares on the date of closing of the private placements was less than the unit offering price, the residual value assigned to the warrants is $120,809.

In connection with the private placement, the Company has paid finders' fees equal to $55,363 in cash and issued 100,660 non-transferrable warrants. Each warrant has the same terms as the warrants issued in the private placement (see Note 9B)

e) During the year ended January 31, 2022, 50,000 stock options were exercised at $0.43 each for a total of $21,500. In relation to the exercise of the stock option, the fair value of $16,818 was allocated from reserves.

f) During the year ended January 31, 2022, 550,000 stock options were exercised at $0.25 each for a total of $137,500. In relation to the exercise of the stock option, the fair value of $114,455 was allocated from reserves.

g) During the year ended January 31, 2022, 150,000 stock options were exercised at $0.41 each for a total of $61,500. In relation to the exercise of the stock option, the fair value of $40,215 was allocated from reserves.

h) During the year ended January 31, 2022, 705,953 warrants were exercised at $0.25 each for a total of $176,488. In relation to the exercise of the warrants, the proportionate fair value of $11,228 was allocated from reserves.

i) During the year ended January 31, 2022, 423,057 warrants were exercised at $0.40 each for a total of $169,223. In relation to the exercise of the warrants, the proportionate fair value of $33,135 was allocated from reserves.

j) During the year ended January 31, 2022, 726,064 warrants were exercised at $0.30 each for a total of $217,819. In relation to the exercise of the warrants, the proportionate fair value of $nil was allocated from reserves.

k) During the year ended January 31, 2022, 1,457,449 warrants were exercised at $0.15 each for a total of $218,617. In relation to the exercise of the warrants, the proportionate fair value of $nil was allocated from reserves.

l) On August 9, 2021, as a result of the conversion of convertible debentures, the Company issued 526,064 Units which each Unit include one common share and one warrant (see Note 8a).

9. SHARE CAPITAL (continued)

A. Issued shares (continued)

m) On August 31, 2021, as a result of the conversion of convertible debentures, the Company issued 1,457,449 Units which each Unit include one common share and one warrant (see Note 8b).

During the year ended January 31, 2021:

a) On January 14, 2021, as a result of the conversion of convertible debentures, the Company issued 214,183 common shares (see Note 8a).

b) On December 22, 2020, the Company completed a non-brokered private placement of 8,984,167 units at a price of $0.30 per Unit for gross proceeds of $2,695,250. Each unit consists of one common share and one-half of one common share purchase warrant. (each whole common share purchase warrant, a "Warrant"). Each whole warrant will entitle the holder to purchase an additional share at a price of $0.40 for a period of 24 months from closing. The fair values of warrants issued pursuant to the private placement financings have been estimated at the issue date using the residual method valuation. Given the market price of the Company's common shares on the date of closing of the private placements was in excess of the unit offering price, the residual value assigned to the warrants is $nil.

   In connection with the Offering, the Company has paid finders' fees equal to $156,818 in cash and 522,725 non-transferrable warrants (the "Finder's Warrants"). Each Finder's Warrant has the same terms as the Warrants issued under the Offering (see Note 9B).

c) On October 5, 2020, the Company issued 50,000 common shares at a price of $0.285 per common share to a consultant for services provided to the Company.

d) On May 8, 2020, as a result of the conversion of Class B Shares, the Company issued 10,000,002 common shares.

e) On May 4, 2020, the Company entered into a debt settlement agreement with an arms-length party to settle an aggregate $56,340 in debt. In settlement of the debt, the Company issued an aggregate of 315,616 common shares in the capital of the Company at a deemed price of $0.15 per share. The Company recognized a gain of $8,998 at the time of the settlement. The debt has been completely satisfied and extinguished upon the issuance of the shares.

f) On February 14, 2020, the Company entered into a debt settlement agreement with an arms-length party to settle an aggregate $85,250 in debt. In settlement of the debt, the Company issued an aggregate of 405,952 common shares in the capital of the Company at a deemed price of $0.21 per share. The debt has been completely satisfied and extinguished upon the issuance of the shares.

g) During the year ended January 31, 2021, 100,000 stock options were exercised at $0.145 each for a total of $14,500. In relation to the exercise of the stock option, the fair value of $12,201 was allocated from reserves.

h) During the year ended January 31, 2021, 951,300 warrants were exercised at $0.25 each for a total of $237,825. In relation to the exercise of the warrants, the proportionate fair value of $628 was allocated from reserves (see Note 9B).

(Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

B. Warrants

Issued during the year ended January 31, 2022:

a) On January 28, 2022, as part of the private placement, the Company issued 1,208,091 warrants which were valued at $120,809 (see Note 9A).

The Company issued 100,660 non-transferrable broker's warrants with the same terms as the warrants as finder's fees. The broker's warrants were valued at $32,030 using the Black-Scholes Option Pricing Model with the following assumption at the issue date: risk free interest rate of 1.4%; dividend yield of 0%; expected volatility of 123.12% and expected life of 3 years.

b) On August 9, 2021, as a result of the conversion of convertible debentures, the Company issued 526,064 Units which each Unit include one common share and one warrant (see Note 8a).

c) On August 31, 2021, as a result of the conversion of convertible debentures, the Company issued 1,457,449 Units which each Unit include one common share and one warrant (see Note 8b).

Issued during the year ended January 31, 2021:

a) On December 22, 2020, as part of the private placement, the Company issued 4,492,084 warrants which were valued at $nil (see Note 9A(b)).

The Company issued 522,725 broker's warrants with the same terms as the warrants as finder's fees. The broker's warrants were valued at $172,082 using the Black-Scholes Option Pricing Model with the following assumption at the issue date: risk free interest rate of 0.22%; dividend yield of 0%; expected volatility of 138.97% and expected life of 2 years.

b) On January 14, 2021, as a result of the conversion of convertible debentures, the Company issued 214,183 warrant at exercise price of 0.30 for a period of 7 months.

The following table reflects the continuity of warrants for the years ended January 31, 2022 and 2022:

	January 31, 2022		January 31, 2021	
	Number of warrants	Weighted average exercise price $	Number of warrants	Weighted average exercise price $
Warrants outstanding, beginning of the year	5,948,945	0.38	3,340,263	0.40
Issued	3,292,264	0.45	5,228,992	0.40
Exercised (Note 9A)	(3,312,523)	0.24	(951,300)	0.25
Expired	(28,183)	0.28	(1,669,010)	0.55
Warrants outstanding, end of the period	5,900,503	$0.50	5,948,945	$0.38

(Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

B. Warrants (continued)

The warrants outstanding at January 31, 2022 are as follows:

Number Outstanding	Exercise Price	Grant Date	Expiry Date
4,591,752	$0.40	December 22, 2020	December 22, 2022
1,308,751	$0.85	January 28, 2022	January 28, 2025

C. Options

The Company has adopted a Stock Option Plan (the "Plan") pursuant to which options may be granted to directors, officers and consultants of the Company. Under the terms of the Plan, the Company can issue a maximum of 10% of the issued and outstanding common shares at the time of the grant, and the exercise price of each option is equal to or above the market price of the common shares on the grant date. Options granted under the Plan including vesting and the term, are determined by, and at the discretion of, the Board of Directors.

The continuity of stock options for the years ended January 31, 2022 and 2021 is as follows:

	January 31, 2022		**January 31, 2021**	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Options outstanding, beginning	4,618,000	0.26	4,100,000	0.27
Granted	1,630,000	0.68	618,000	0.27
Cancelled	(50,000)	0.39	-	-
Exercised (Note 9A)	(750,000)	0.29	(100,000)	0.145
Options outstanding, ending	5,448,000	0.33	4,618,000	0.26
Options exercisable, ending	4,334,667	0.31	4,100,000	0.26

The weighted average market price of the options exercised was $0.82.

The options outstanding at January 31, 2022 are as follows:

Number of Options Outstanding	Exercise Price $	Grant Date	Expiry Date
3,050,000	0.25	March 19, 2018	March 19, 2023
50,000	0.43	June 22, 2018	June 22, 2023
100,000	0.41	December 11, 2018	December 11, 2023
100,000	0.21	February 14, 2020	February 14, 2025
518,000	0.285	October 5, 2020	October 5, 2025
80,000	0.84	March 1, 2021	March 1, 2026
1,550,000	0.67	October 12, 2021	October 12, 2026

9. SHARE CAPITAL (continued)

C. Options (continued)

a) On October 12, 2021, the Company granted 1,550,000 common share purchase options exercisable at $0.67 per share expiring in five years to employees and consultants of the Company. 1/3 of the options will vest immediately and 1/3 on each annual anniversary thereafter. Company valued the options using the Black-Scholes Option Pricing Model to estimate the fair value of the options using the following assumptions: risk free interest rate of 1.24%-1.56%; dividend yield of 0%; expected volatility of 123.75%; and expected option life of 5 years. During the year ended January 31, 2022, the Company recorded a total share-based payment amount of $430,399.

b) On March 1, 2021, the Company granted 80,000 common share purchase options exercisable at $0.84 per share expiring in five years to employees of the Company. 50% of the options will vest and become exercisable on March 1, 2022 and reminder 50% on March 1, 2023. Company valued the options using the Black-Scholes Option Pricing Model to estimate the fair value of the options using the following assumptions: risk free interest rate of 0.81%; dividend yield of 0%; expected volatility of 126.75%; and expected option life of 5 years. During the year ended January 31, 2022, the Company recorded a total share-based payment amount of $39,174.

c) On October 5, 2020, the Company granted 518,000 options to employees of the Company. The options are exercisable at $0.285, and will vest and become exercisable on or after October 5, 2021. The Company valued the options at $123,543 using the Black-Scholes Option Pricing Model to estimate the fair value of the options using the following assumptions: risk free interest rate of 0.33%; dividend yield of 0%; expected volatility of 124.67%; and expected option life of 5 years. During the year ended January 31, 2022, the Company recorded a total share-based payment amount of $83,375 (2021-$40,168).

d) On February 14, 2020, the Company granted 100,000 options to an employee of the Company. The options are exercisable at $0.21, fully vested immediately and expire on February 14, 2025. The Company recorded a share-based payment amount of $19,370 during the year ended January 31, 2021. The Company used the Black-Scholes Option Pricing Model to estimate the fair value of the options using the following assumptions: risk free interest rate of 1.42%; dividend yield of 0%; expected volatility of 157.50%; and expected option life of 5 years.

D. Restricted share units

The Company approved the implementation of a restricted share units (the "RSU") plan on May 21, 2019, which RSU is designed to provide certain directors, officers, consultants and other key employees of the Company and its related entities with the opportunity to acquire restricted share of the Company. RSU may be exercised by any holder of RSU to receive an award payout of either: (a) one common share of the Company for each whole vested RSU; or (b) a cash amount equal to the defined date value of such vested RSU.

On November 4, 2021, the Company granted 800,000 RSUs to an officer and director of the Company, in which 800,000 RSUs can be converted into common shares immediately and will expire on September 30, 2024.

(Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

D. Restricted share units (continued)

On October 12, 2021, the Company granted 3,200,000 RSUs to the directors and officers of the Company, in which 3,200,000 RSUs can be converted into common shares immediately and will expire on September 30, 2024.

On October 12, 2021, the Company granted 300,000 RSUs to a director and consultants of the Company, in which 300,000 RSUs can be converted into common shares on February 12, 2022 and will expire on September 30, 2024. Subsequent to year end, 300,000 RSUs has been fully converted (see note 19h).

On May 8, 2020, the Company granted 332,000 RSUs to a consultant of the Company, in which 332,000 RSUs can be converted into common shares after May 1, 2022 and will expire on September 30, 2023.

During the year ended January 31, 2022, the Company recorded a total share-based payment of $3,081,216 for the RSUs granted (2021- $15,999).

The continuity of RSU for the years ended January 31, 2022 and 2021 is as follows:

	Number of RSU's
Outstanding, January 31, 2020	-
Granted	332,000
Outstanding, January 31, 2021	332,000
Granted	4,300,000
Outstanding, January 31, 2022	4,632,000
Exercisable, January 31, 2022	4,000,000

E. Escrow shares

As at January 31, 2022, the Company had nil common shares held in escrow (January 31, 2021 – 2,447,803)

(Expressed in Canadian dollars)

10. RELATED PARTY TRANSACTIONS

(a) During the years ended January 31, 2022 and 2021, the Company incurred the following expenses to related parties:

		2022		2021
Consulting fees – CEO and a director	$	833,933	$	206,665
Salaries and wages – CMO and a director		661,337		61,999
Salaries and wages – CSO		634,569		61,999
Consulting fees – CCO and a director		70,795		61,999
Consulting fees – COO, CFO and a director		661,198		61,999
Stock based compensation		3,136,935		-
Bonus-CEO, CMO, CSO, COO and CFO (1)		2,125,000		-
	$	8,123,767	$	454,661

(1) During the year ended January 31, 2022, the Company entered Long Term Incentive Plan ("Plan") with the key management personnel. The board of the Company, in its sole discretion, may from time to time grant awards base on the performance criteria. The awards including:

- a cash bonus;
- if the participant exercises the option upon vesting of the grant, shares of the Company.

Each award will be subject to the terms and conditions of the Plan and such other terms and conditions as the Board may prescribe including, without limitation, eligibility conditions based on performance milestones, anniversary dates or the occurrence of certain events.

During the year ended January 31, 2022, the Company grant $2,125,000 cash bonus ("First Performance Bonus") to the key management personnel. The key management personnel signed a deferral letter with the Company and agreed to defer the payment of the First Performance Bonus to the date not earlier than April 30, 2023, which may be paid at any time in cash or common shares at the election of the Company.

(b) As at January 31, 2022 and 2021, the Company has the following balance owing to (due from) related parties:

	January 31, 2022	January 31, 2021
	$	$
CEO and a director (i)	1,288,204	(2,648)
CMO and a director (ii)	1,007,042	-
CSO (ii)	1,005,211	(12,291)
CCO and a director	38,281	5,260
COO, CFO and a director (ii)	1,147,049	8,671
	4,485,787	1,008

(i) As at January 31, 2022, $625,000 bonus payable has been reclassify to long term liability.
(ii) As at January 31, 2022, $500,000 bonus payable has been reclassify to long term liability.

Due to/from related parties are unsecured, non-interest bearing, and due on demand with no specific terms of repayment except those included in (i) and (ii) above.

10. RELATED PARTY TRANSACTIONS (continued)

(c) On September 26, 2021, the Company entered a promissory note (Loan) with the CEO and Director of the Company. The Company loan to him for a total amount of $218,617 with maturity to March 26, 2022 at an interest rate of 3.75% per annum, calculated and compounded monthly in arrears, and payable at the expiry of the term. The Loan will be secured by way of a hypothecation of 1,457,449 common shares of the Company, registered in the name of Sina Habibi's spouse, with authority and direction hereby to sell such number of shares to satisfy repayment of the Loan plus the interest rate in the event of default by him (see Note 5).

11. LOAN FACILITY

During the year ended January 31, 2022, Cog UK entered into a Innovation Continuity Loan Agreement ("Agreement") with Innovate UK ("Lender") for a Sterling term loan facility (the "Facility") of up to £740,000 (CAD $1.28m) to support the Company in its product development and commercialization activities through the coming year. The Company has previously received grant funding through the UK Government Innovate UK program, and this new facility will be made available through Innovate UK's Innovation Continuity Loans scheme.

The loan itself allows drawdowns throughout 2021 in an initial availability period of 12 months, followed by a 24 month extension period and a 36 months repayment period. The interest rate for the duration of the Loan Agreement is 7.4% per annum, during the availability and extension period, a deferred interest rate of 3.7% per annum is applied. The current portion of interest based on the remaining interest rate of 3.7% per annum will need to be paid in each year the 3,6,9 and 12 calendar month anniversaries of the first drawdown under the Loan Agreement. Once the extension period has ended, the deferred interest is added to the amount of the principal loan that is outstanding and then interest accrues daily on this total at a rate of 7.4% per annum. The final repayment date is on the date 72 months from and including the date of the Loan Agreement, which is March 17, 2027.

During the year ended January 31, 2022, the Company had a total drawdown of £740,000.

As at January 31, 2022, the Company was not in compliance with the following covenants set out under the Agreement:

- maintained a liquidity ratio (current assets/current liabilities) not less than 1.1.
- complied with the interest payment schedule as defined under the Loan Agreement.

As the result, the Facility has been presented under current liability as of January 31, 2022.

Per the Agreement, in the event of a breach, or on becoming aware that a breach is likely, the Company will be required to write to the Lender explaining how such a breach will be remedied. This remedy must be achieved within 90 days of the breach occurring.

Subsequent to the year ended January 31, 2022, the Company provided details of the proposed remedy in March 2022 and the Lender confirmed that the liquidity breach is not considered as an event of default.

(Expressed in Canadian dollars)

11. LOAN FACILITY (continued)

The Facility was accounted for using effective interest rate method. The Company has recorded the fair value of $1,008,347 (£589,953) on the Facility initial recognition date using an effective interest rate of 14.5% per annum. The difference of $256,461 (£150,047) between the fair value and the total amount of the Facility received was considered as a gain on government grant and has been net off with the interest accretion expense of $77,995 (£45,632) and loss on breach of covenant of $227,809 (£133,284), as the result, the net amount of $49,343 (£28,869) has been recorded as interest expenses for the year ended January 31, 2022.

	GBP	$
Loans payable at nominal value	740,000	1,264,808
Less: Gain on government grant	(150,047)	(256,461)
Loans payable at fair value at inception	589,953	1,008,347
Add: Accretion expenses	45,632	77,995
Less: Interest payments	(11,434)	(19,543)
Add: Loss on breach of covenant	133,284	227,809
Loans payable Balance, end of year	757,435	1,294,608

12. GOVERNMENT GRANT

During the year ended January 31, 2022, the Company received $8,631 (2021- $580,103) payment from Innovate UK which has been recognized as other income. Innovate UK is a public body funded by the UK government.

13. SHARE TO BE ISSUED

During the year ended January 31, 2022, the Company entered into consulting agreements with third-party consultants under which the Company is committed to issue 513,000 common shares for the services provided by the consultants. As of January 31, 2022, 295,000 common shares have been issued and $85,844 was recorded for the fair value of share to be issued as of January 31, 2022.

During the year ended January 31, 2022, the Company entered into an Employee Agreement. As of January 31, 2022, 42,500 common shares have been issued and $60,176 was recorded for the fair value of share to be issued as of January 31, 2022.

14. NON-CASH INVESTING AND FINANCING ACTIVITIES

	January 31, 2022	**January 31, 2021**
Shares issued for debts settlement (Note 9A)	$ -	$ 132,592
Shares issued from warrants exercised (Note 9A)	44,363	628
Shares issued from option exercised (Note 9A)	171,488	12,201
Share issue cost – broker's warrants (Note 9B)	32,030	172,082
Share issued for services (Note 9A)	305,898	14,250

(Expressed in Canadian dollars)

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

Fair value of financial instruments

Financial instruments of the Company carried on the Consolidated Statements of Financial Position are all carried at amortized cost except the shares to be issued which the fair value measurement is categorized into Level 1. There are no significant differences between the carrying value of these financial instruments carried at amortized cost and their estimated fair values as of January 31, 2022 and 2021 due to the short term nature of the instruments.

The Company's financial instruments are exposed to certain financial risks, which include the following:

Credit risk

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is mainly on its cash. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company aims to ensure that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. The Company believes that the capital sources will be sufficient to cover the expected short and long-term cash requirements by obtaining financing through the issuance of debt or common shares.

Contractual maturities of financial liabilities as at January 31, 2022 are presented below:

Contractual Obligations	Payments Due by Year			
	Total	Less than 1 Year	1 – 3 Years	After 3 Years
Accounts payable and accrued liabilities	$ 1,753,793	$ 1,753,793	-	-
Due to related parties	$ 4,485,787	$ 2,360,787	$ 2,125,000	-
Loan facility	$ 1,294,608	$ 1,294,608	-	-
Share to be issued	$ 146,020	$ 146,020	-	-
Total	**$ 7,680,208**	**$ 5,555,208**	**$ 2,125,000**	**-**

Interest rate risk

The Company's loan facility is at fixed interest rate and therefore is not exposed to significant interest rate risk.

Foreign exchange risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not have significant exposure to foreign exchange risk because it has minimum foreign currency assets and liabilities.

(Expressed in Canadian dollars)

16. CAPITAL MANAGEMENT

The Company considers its cash and share capital as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

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. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash. In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company is not subject to any externally imposed capital restructure. There was no change in the Company's approach to capital management during the year ended January 31, 2022.

17. INCOME TAXES

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive loss for the years ended January 31, 2022 and 2021.

		January 31 2022		January 31 2021
Net loss before tax	$	(13,127,327)	$	(1,925,812)
Statutory tax rate		27.00%		27.00%
Expected income tax expenses (recovery)		(3,544,378)		(519,970)
Non-deductible items		1,849,143		8,877
Research and development		(482,105)		(311,971)
Foreign tax rate difference		701,724		12,839
Change in estimates		322,139		(63,620)
Change in deferred tax assets not recognized		1,153,477		876,128
Total income tax expense (recovery)	$	-	$	2,283

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Deferred tax assets (liabilities) at January 31, 2022 and 2021 are comprised of the following:

		January 31 2022		**January 31 2021**
Net trading loss carryforwards (UK)	$	17,361	$	14,545
Equipment (UK)		(12,045)		(8,439)
Intangible Assets (UK)		(5,316)		(6,107)
Net deferred tax assets (liabilities)	$	-	$	-

The unrecognized deductible temporary differences at January 31, 2022 and 2021 are as follows:

(Expressed in Canadian dollars)

17. INCOME TAXES (continued)

		January 31 2022		January 31 2021
Non-capital loss carryforwards (Canada)	$	4,481,340	$	2,986,620
Trading loss carryforwards (UK)		9,951,393		5,914,567
Eligible capital property		2,006		2,006
Financing costs		314,619		399,640
Total unrecognized deductible temporary differences	$	14,749,358	$	9,302,833

The Company currently has operation in Dubai, United Arab Emirates. The corporate income tax rate under UAE is at 0%.

As at January 31, 2022, the Company has not recognized a deferred tax assets in respect of non-capital loss carry forwards of approximately $4,481,340 (2021: $2,986,620) which may be carried forward to apply against future income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expiry		Total
2036	$	3,792
2037		197,305
2038		71,234
2039		1,186,815
2040		817,514
2041		709,960
2042		1,494,720
Total	$	4,481,340

As at January 31, 2022, the Company has not recognized a deferred tax assets in respect of trading loss carry forwards of $9,951,393 (2021: $5,914,567) which may be carried forward indefinitely to apply against future income for UK income tax purposes, subject to final determination by taxation authorities.

18. GEOGRAPHICAL INFORMATION

The Company is considered operating in one segment for development of the ICA platform. The geographical division of the Company's non-current assets is as follows:

	Canada	United Kingdom	Dubai	Total
	$	$	$	$
Non-current assets				
January 31, 2022	-	148,720	-	148,720
January 31, 2021	-	76,594	-	76,594

19. SUBSEQUENT EVENTS

a. On February 11, 2022, further to completed the first tranche non-brokered private placement on January 28, 2022, the Company completed the second tranche of non-brokered private placement of 1,999,626 units at a price of $0.55 per Unit for gross proceeds of $1,099,794. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase an additional share at a price of $0.85 until February 11, 2025.

b. On February 24, 2022, further to completed the first and second tranche non-brokered private placement, the Company completed the third tranche of non-brokered private placement of 2,812,790 units at a price of $0.55 per Unit for gross proceeds of $1,547,035. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase an additional share at a price of $0.85 until February 24, 2025.

c. On March 1, 2022, the Company issued 106,656 common shares to a consultant for services provided to the Company for an amount of $56,528.

d. On March 1, 2022, the Company granted 50,000 RSUs to a consultant of the Company, in which 50,000 RSUs can be converted into common shares immediately and will expire on September 30, 2025.

e. On March 1, 2022, the Company granted 497,300 common share purchase options to an employee. The options are exercisable at $0.53 per share and expire in five years. 50% of the options will vest on the first anniversary and 50% vested on the second anniversary.

f. On April 19, 2022, the Company issued 111,000 common shares to a consultant for services provided to the Company for an amount of $36,075.

g. On April 19, 2022, the Company issued an aggregate of 48,462 common shares in the capital of the Company at a deemed price of $0.325 per share to settle a debt.

h. On April 19, 2022, as a result of the conversion of RSU, the Company issued 300,000 common shares.

i. On April 19, 2022, the Company granted 20,000 common share purchase options to an employee. The options are exercisable at $0.325 per share and expire in five years. 50% of the options will vest on the first anniversary and 50% vested on the second anniversary.