PANGENOMIC HEALTH INC.

Condensed Interim Consolidated Financial Statements

Six Months Ended June 30, 2023 and 2022

(Expressed in Canadian Dollars)

(unaudited)

Notice of No Auditor Review

The accompanying unaudited condensed interim consolidated financial statements of Pangenomic Health Inc. (the "Company") have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. The Company's independent auditors have not performed a review or audit of these condensed interim consolidated financial statements.

PANGENOMIC HEALTH INC.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	June 30, 2023 $	December 31, 2022 $
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	5	88,526
Amounts receivable (Note 3)	74,792	157,817
Prepaid expenses (Note 13)	91,055	204,103
Loan receivable (Note 4)	33,087	33,924
Total current assets	198,939	484,370
Non-current assets		
Equipment (Note 5)	16,766	19,772
TOTAL ASSETS	215,705	504,142
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	804,251	399,016
Loans payable (Note 6)	500,000	101,771
Due to related parties (Note 7)	358,993	218,465
Total liabilities	1,663,244	719,252
SHAREHOLDERS' DEFICIT		
Common shares (Note 8)	11,878,595	11,240,056
Equity reserves (Note 9 and 10)	3,675,049	3,526,356
Deficit	(17,001,183)	(14,981,522)
Total shareholders' deficit	(1,447,539)	(215,110)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	215,705	504,142

Nature of operations and continuance of business (Note 1)
Commitment (Note 13)
Subsequent events (Note 14)

Approved and authorized for issuance on behalf of the Board of Directors on August 29, 2023:

/s/ "Vincent Lum"	/s/ "Robert Nygren"
Vincent Lum, Director	Robert Nygren, Director

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

PANGENOMIC HEALTH INC.
Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	$	$	$	$
Expenses				
Advertising and promotion	12,233	67,297	57,801	200,604
Consulting fees (Note 7)	272,105	258,009	560,401	493,509
Depreciation (Note 5)	3,126	2,720	6,148	5,246
Director's fees (Note 7)	30,000	–	60,000	–
General and administrative	41,738	15,691	87,059	23,672
Professional fees	148,795	90,627	258,909	156,897
Rent	1,800	3,000	3,600	6,000
Research and development (Note 7)	64,868	191,590	224,852	351,144
Share-based compensation (Notes 7, 9 and 10)	87,088	67,111	148,693	202,215
Transfer agent and filing fees	40,354	2,092	105,336	8,382
Wages and benefits (Note 7)	206,851	109,661	450,047	182,008
Total expenses	908,958	807,798	1,962,846	1,629,677
Loss before other income (expense)	(908,958)	(807,798)	(1,962,846)	(1,629,677)
Other income (expense)				
Interest expense	(9,506)	224	(12,492)	(57)
Interest income	552	582	1,239	1,410
Foreign exchange translation loss	(7,301)	(798)	(9,334)	(798)
Write-off of amounts receivable (Note 3)	(36,228)	–	(36,228)	–
Total other income (expense)	(52,483)	8	(56,815)	555
Net loss and comprehensive loss for the period	(961,441)	(807,790)	(2,019,661)	(1,629,122)
Loss per common share, basic and diluted	(0.01)	(0.02)	(0.02)	(0.04)
Weighted average common shares outstanding	99,328,169	39,249,973	98,981,911	39,042,791

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

PANGENOMIC HEALTH INC.
Condensed Interim Consolidated Statements of Changes in Equity (Deficit)
(Expressed in Canadian Dollars)
(unaudited)

	Common shares		Preferred shares					
	Number of shares	Amount $	Number of shares	Amount $	Subscriptions received $	Equity reserves $	Deficit $	Total shareholders' equity (deficit) $
Balance, December 31, 2021	38,749,973	4,634,568	10,000,000	497,330	–	97,770	(2,987,194)	2,242,474
Issuance of shares for acquisition of intangible asset	500,000	75,000	–	–	–	–	–	75,000
Unit subscriptions received	–	–	–	–	1,104,900	–	–	1,104,900
Share-based compensation	–	–	–	–	–	202,215	–	202,215
Net loss for the period	–	–	–	–	–	–	(1,629,122)	(1,629,122)
Balance, June 30, 2022	39,249,973	4,709,568	10,000,000	497,330	1,104,900	299,985	(4,616,316)	1,995,467
Balance, December 31, 2022	94,374,304	11,240,056	–	–	–	3,526,356	(14,981,522)	(215,110)
Issuance of units for cash	2,081,667	312,250	–	–	–	–	–	312,250
Share issuance costs	–	(931)	–	–	–	–	–	(931)
Issuance of shares upon exercise of warrants	2,872,198	327,220	–	–	–	–	–	327,220
Share-based compensation	–	–	–	–	–	148,693	–	148,693
Net loss for the period	–	–	–	–	–	–	(2,019,661)	(2,019,661)
Balance, June 30, 2023	99,328,169	11,878,595	–	–	–	3,675,049	(17,001,183)	(1,447,539)

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

PANGENOMIC HEALTH INC.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(unaudited)

	Six months ended June 30, 2023 $	Six months ended June 30, 2022 $
Operating activities		
Net loss	(2,019,661)	(1,629,122)
Items not involving cash:		
Depreciation expense	6,148	5,246
Foreign exchange translation loss (gain)	837	(542)
Share-based compensation	148,693	202,215
Write-off of amounts receivable	36,228	–
Changes in non-cash operating working capital:		
Amounts receivable	46,297	(50,038)
Prepaid expenses	113,048	102,875
Accrued interest receivable	–	(7)
Accounts payable and accrued liabilities	399,985	175,159
Due to related parties	155,428	(860)
Net cash used in operating activities	(1,112,997)	(1,195,074)
Investing activities		
Purchase of equipment	(3,142)	(3,445)
Net cash used in investing activities	(3,142)	(3,445)
Financing activities		
Proceeds from issuance of units, net of issuance costs	311,319	–
Proceeds from issuance of shares upon exercise of warrants	327,220	–
Proceeds from units subscribed	–	1,104,900
Proceeds from loans payable	500,000	–
Repayment of loans payable	(101,771)	–
Repayment of related party loans	(9,150)	–
Net cash provided by financing activities	1,027,618	1,104,900
Change in cash	(88,521)	(93,619)
Cash and cash equivalents, beginning of period	88,526	1,348,622
Cash and cash equivalents, end of period	5	1,255,003
Cash and cash equivalents consist of:		
Cash in bank	–	1,250,003
Bank indebtedness	(11,245)	–
Cashable short-term investment certificate	11,250	5,000
Total cash and cash equivalents	5	1,255,003
Non-cash investing and financing activities:		
Issuance of common shares to acquire intangible asset	–	75,000

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

1. Nature of Operations and Continuance of Business

Pangenomic Health Inc. (the "Company") was incorporated under the laws of the province of British Columbia, Canada, on December 11, 2015. On December 6, 2021, the Company changed its name from Zetta Capital Corp. to Pangenomic Health Inc. The address of the Company's corporate office and principal place of business is 102 – 3800 Wesbrook Mall, Vancouver, BC, V6S 2L9. The Company's common shares trade on the Canadian Stock Exchange ("CSE") under the symbol "NARA", and the Frankfurt Stock Exchange ("FSE") under the symbol "LL30". On April 12, 2023, the Company announced the commencement of trading on the Aquis Stock Exchange ("AQSE") under the symbol "NARA".

These condensed interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Company's ability to continue as a going concern. For the six months ended June 30, 2023, the Company has not generated any revenues and has negative cash flow from operations. As at June 30, 2023, the Company has an accumulated deficit of $17,001,183. The continued operations of the Company are dependent on future profitable operations, management's ability to manage costs and the future availability of equity or debt financing. Whether and when the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due is uncertain. These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

2. Basis of Presentation

(a) Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*. The condensed interim consolidated financial statements of the Company should be read in conjunction with the Company's annual audited financial statements for the year ended December 31, 2022, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of Presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for the cash flow information. In the opinion of the Company's management, all adjustments considered necessary for a fair presentation have been included.

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Pangenomic Technologies Corp. ("PTC"), MUJN Diagnostics Inc. (formerly PlantGX Diagnostics Inc.) ("MUJN") and Mindleap Health Inc. ("Mindleap"), which were incorporated on in the province of British Columbia, Canada. All intercompany transactions have been eliminated on consolidation.

2. Basis of Presentation (continued)

(c) Significant Accounting Estimates and Judgments

The preparation of these condensed interim consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant areas requiring the use of estimates include:

<u>Recoverability of Loan Receivable</u>

The recoverability of loan receivable is assessed by management at the reporting date by applying the expected credit loss impairment model. The model reflects historical loss experiences, facts and circumstances that have existed during the period, informed credit assessment, and consideration of forward-looking information. If actual credit losses differ from estimates, future earnings would be affected.

<u>Carrying Value of Equipment and Intangible Assets</u>

The Company assesses impairment of non-financial assets such as equipment and intangible assets. In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit (“CGU”) based on expected future cash flows. When measuring expected future cash flows, management makes assumptions about future growth of profits which relate to future events and circumstances. Actual results could vary from these estimated future cash flows. Estimation uncertainty relates to assumptions about future operating results and the application of an appropriate discount rate.

Long-lived assets are reviewed for impairment by determining the recoverable amount of each CGU or groups of CGUs to which the long-lived assets relate. Management estimates the recoverable amount of the CGUs based on the higher of value-in-use (“VIU”) and fair value less costs of disposal (“FVLCD”). The VIU calculations are based on expected future cash flows. When measuring expected future cash flows, management makes key assumptions about future growth of profits which relate to future events and circumstances. Estimation uncertainty relates to assumptions about future operating results and the application of an appropriate discount rate. Actual results could vary from these estimates which may cause significant adjustments to the Company’s long-lived assets in subsequent reporting periods.

<u>Share-based Payments</u>

Fair values of share-based payments are determined using the Black-Scholes option pricing model. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measurement of the fair value of the Company’s stock options and performance warrants.

(Expressed in Canadian Dollars)

2. Basis of Presentation (continued)

(c) Significant Accounting Estimates and Judgments (continued)

Current and Deferred Income Taxes

The determination of income tax expense and the composition of deferred income tax assets and liabilities involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred income tax assets and liabilities, and interpretations of tax laws. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these interpretations, judgments, and estimates may materially affect the final amount of current and deferred income tax provisions, deferred income tax assets and liabilities, and results of operations.

Significant Judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognized in the Company's condensed interim consolidated financial statements are as follows:

Going Concern

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its condensed interim consolidated financial statements for the six months ended June 30, 2023. 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 there is a significant doubt as to the ability of the Company to meet its obligations as they fall due and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern.

(d) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended June 30, 2023, and have not been early adopted in preparing these condensed interim consolidated financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's condensed interim consolidated financial statements.

3. Amounts Receivable

	June 30, 2023 $	December 31, 2022 $
Accrued interest receivable and other	3,467	2,451
GST receivable	71,325	155,366
	74,792	157,817

During the six months ended June 30, 2023, the Company recognized a write-off of amounts receivable of $36,228 due to uncertainty surrounding the collectability of certain GST receivable amounts.

(Expressed in Canadian Dollars)

4. Loans Receivable

On November 23, 2021, the Company entered into an agreement with The Horizons Center Public Benefit Corporation ("Horizons") whereby the Company can invest up to US$1,000,000 in convertible promissory notes which bear interest at 6% per annum and will be due on the two year anniversary of the date as of which the first of the convertible notes is issued. The promissory note is convertible upon the initial closing of the sale of equity securities by Horizons of at least US$500,000 ("Qualified Financing") into shares of Horizons at 90% of the price per equity for the Qualified Financing. Upon the initial closing of the sale of equity securities by Horizons that is not a Qualified Financing ("Non-Qualified Financing"), the total debt is to be repaid and at the option of the Company, the note can be converted into shares of Horizon at 90% of the price per equity for the Non-Qualified Financing.

As at June 30, 2023, the Company has invested $33,087 (US$25,000) (December 31, 2022 - $33,924 (US$25,000)) and recognized accrued interest of $3,176 (US$2,400) (December 31, 2022 - $2,247 (US$1,656)), which is included in amounts receivable.

5. Equipment

	Computer equipment $	Lab equipment $	Total $
Cost			
Balance, December 31, 2022	35,634	–	35,634
Additions	–	3,142	3,142
Balance, June 30, 2023	35,634	3,142	38,776
Depreciation			
Balance, December 31, 2022	15,862	–	15,862
Depreciation	5,939	209	6,148
Balance, June 30, 2023	21,801	209	22,010
Carrying amounts			
Balance, December 31, 2022	19,772	–	19,772
Balance, June 30, 2023	13,833	2,933	16,766

6. Loans Payable

(a) On November 23, 2022, the Company entered into a loan agreement with an arm's length party for $101,771 (US$75,000). The loan bears interest at 8% per annum and was due on or before December 31, 2022. The loan was repaid on January 19, 2023.

(b) On March 6, 2023, the Company entered into a loan agreement with an arm's length party for $100,000. The loan bears interest at 8% per annum and was due and payable on June 30, 2023. Amounts of principal and interest that are past due under the note shall bear interest at 8% per annum and are payable on demand.

(c) On March 8, 2023, the Company entered into a loan agreement with an arm's length party for $50,000. The loan bears interest at 8% per annum and was due and payable on June 30, 2023. Amounts of principal and interest that are past due under the note shall bear interest at 8% per annum and are payable on demand.

(Expressed in Canadian Dollars)

6. Loans Payable (continued)

(d) On March 28, 2023, the Company entered into a loan agreement with an arm's length party for $50,000. The loan bears interest at 8% per annum and was due and payable on June 30, 2023. Amounts of principal and interest that are past due under the note shall bear interest at 8% per annum and are payable on demand.

(e) On March 28, 2023, the Company entered into a loan agreement with an arm's length party for $200,000. The loan bears interest at 8% per annum and was due and payable on June 30, 2023. Amounts of principal and interest that are past due under the note shall bear interest at 8% per annum and are payable on demand.

(f) On May 8, 2023, the Company entered into a loan agreement with an arm's length party for $100,000. The loan bears interest at 8% per annum and was due and payable on June 30, 2023. Amounts of principal and interest that are past due under the note shall bear interest at 8% per annum and are payable on demand.

7. Related Party Transactions

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and includes both executive and non-executive directors, and entities controlled by such persons. The Company considers all Directors and Officers of the Company to be key management personnel. The following are the remuneration of the Company's related parties:

	Six months ended June 30, 2023	Six months ended June 30, 2022
	$	$
Chief Executive Officer ("CEO"), for wages and consulting fees	82,500	–
Chief Financial Officer ("CFO"), for consulting fees	37,500	12,000
Executive Chair and Director and the Company he controlled, for wages incurred and consulting fees	62,500	60,000
Chief Scientific Officer ("CSO"), for wages incurred	43,915	–
Company controlled by the Chief Technology Officer ("CTO"), for consulting fees	30,000	30,000
Company controlled by the CTO, for research and development	69,999	362,624
Company controlled by the CSO, for consulting fees	–	60,000
Company controlled by a Director, for consulting fees	–	15,000
Company controlled by a Director, for consulting fees and director's fees	60,000	17,500
Director, for consulting fees and director's fees	60,000	–
Director and former CEO, for wages and consulting fees	84,915	60,000
Share-based compensation	86,528	157,297
	617,857	774,421

(Expressed in Canadian Dollars)

7. Related Party Transactions (continued)

Amounts due to related parties are non-interest bearing, unsecured and due on demand.

	June 30, 2023	December 31, 2022
	$	$
CEO	304	–
CFO	13,125	–
CTO	1,404	1,043
Companies controlled by the CTO	189,753	110,272
Director and company controlled by a Director	64,186	69,150
Company controlled by a Director	31,000	17,500
Director	67,250	31,000
Director and former CEO	(8,029)	(10,500)
	358,993	218,465

8. Common Shares

Authorized: Unlimited number of Class A common shares without par value

Share transactions during the six months ended June 30, 2023:

(a) On January 19, 2023, the Company issued 2,081,667 units at $0.15 per unit for gross proceeds of $312,250. Each unit consisted of one common share of the Company and one share purchase warrant. Each share purchase warrant is exercisable at $0.30 per common share expiring on January 19, 2025, subject to the Company's right to accelerate the expiry date of such warrant if the closing price of the common shares is equal to or greater than $0.60 per share for 10 consecutive trading days. In connection with the issuance, the Company incurred share issuance costs of $931.

(b) During the six months ended June 30, 2023, the Company issued a total of 2,672,198 common shares upon the exercise of share purchase warrants at $0.10 per share for proceeds of $267,220.

(c) During the six months ended June 30, 2023, the Company issued a total of 200,000 common shares upon the exercise of share purchase warrants at $0.30 per share for proceeds of $60,000.

9. Share Purchase Warrants

The following table summarizes the continuity of the Company's share purchase warrants:

	Number of warrants	Weighted average exercise price $
Balance, December 31, 2022	52,504,242	0.28
Issued	2,081,667	0.20
Exercised	(2,872,198)	0.11
Expired	(4,823,453)	0.18
Balance, June 30, 2023	46,890,258	0.22
Exercisable, June 30, 2023	44,890,258	0.20

(Expressed in Canadian Dollars)

9. Share Purchase Warrants (continued)

As at June 30, 2023, the following share purchase warrants were outstanding:

Number of warrants outstanding	Number of warrants exercisable	Exercise price $	Expiry date	Weighted average remaining contracted life (years)
6,729,334	6,729,334	0.20[1]	July 23, 2023[2]	0.06
15,960	15,960	0.30	July 23, 2023[2]	0.06
5,863,966	5,863,966	0.20[1]	September 16, 2023	0.21
500,000	500,000	0.30	October 25, 2023	0.32
7,365,999	7,365,999	0.20[1]	July 7, 2024	1.02
18,000,000	18,000,000	0.20[1]	December 9, 2024	1.45
2,000,000	2,000,000	0.30	December 9, 2024	1.45
1,333,332	1,333,332	0.20[1]	December 23, 2024	1.48
2,081,667	2,081,667	0.20[1]	January 19, 2025	1.56
3,000,000	1,000,000	0.15	July 1, 2025	2.01
46,890,258	44,890,258			

[1] On April 21, 2023, the Directors of the Company approved a reduction of the exercise price of certain outstanding share purchase warrants of the Company from $0.30 per share to $0.20 per share. Upon the modification of a total of 18,149,111 share purchase warrants originally issued for a debt settlement and for the acquisition of Mindleap Health Inc., the Company measured the fair value of the warrants immediately before and after the modification in accordance with IFRS 2, Share-based Payment, and recognized the incremental fair value of $91,573, which was included in share-based compensation.

[2] Expired unexercised subsequent to the six months ended June 30, 2023.

Share-based compensation expense is determined using the Black-Scholes option pricing model. During the six months ended June 30, 2023, the Company recognized share-based compensation expense recovery of $13,011 (2022 – expense of $1,565) in equity reserves related to the performance warrants, of which a recovery of $13,011 (2022 – expense of $1,565) pertains to officers and directors of the Company. As at June 30, 2023, there was $133,647 (December 31, 2022 - $120,636) of unrecognized share-based compensation related to the unvested performance warrants.

10. Stock Options

On December 27, 2021, the Company adopted a stock option plan providing for the grant of stock options to purchase Class A common shares to officers, directors, employees, and consultants in an amount equal to up to 20% of the issued and outstanding common shares. The exercise price is determined by the Board of Directors. Stock options are granted for a maximum term of 10 years.

The following table summarizes the continuity of the Company’s stock options:

	Number of stock options	Weighted average exercise price $
Balance, December 31, 2022	4,200,000	0.17
Cancelled	(5,834)	0.30
Balance, June 30, 2023	4,194,166	0.17
Exercisable, June 30, 2023	2,599,329	0.16

(Expressed in Canadian Dollars)

10. Stock Options (continued)

Additional information regarding stock options outstanding as at June 30, 2023, is as follows:

Number of stock options outstanding	Number of stock options exercisable	Exercise price $	Expiry date	Weighted average remaining contracted life (years)
150,000	131,250	0.15	October 31, 2024	1.34
1,890,000	1,320,580	0.15	December 27, 2024	1.50
1,000,000	750,000	0.15	January 10, 2025	1.53
4,166	4,166	0.30	February 28, 2025	1.67
30,000	30,000	0.25	July 19, 2024	1.05
1,000,000	250,000	0.23	September 6, 2025	2.19
120,000	113,333	0.23	December 9, 2025	2.45
4,194,166	2,599,329			

Share-based compensation expense is determined using the Black-Scholes option pricing model. During the six months ended June 30, 2023, the Company recognized share-based compensation expense of $70,131 (2022 - $200,650) in equity reserves, of which $86,528 (2022 - $150,056) pertains to officers and directors of the Company. The weighted average fair value of options granted or vested during the six months ended June 30, 2023, was $0.04 (2022 – $0.12) per share. Weighted average assumptions used in calculating the fair value of share-based compensation expense are as follows:

	2023	2022
Risk-free interest rate	0.04%	2.13%
Dividend yield	0%	0%
Expected volatility	137%	150%
Expected life (years)	1.94	2.77
Forfeiture rate	0%	0%

As at June 30, 2023, there was $86,325 (December 31, 2022 – $214,140) of unrecognized share-based compensation related to the unvested stock options.

11. Financial Instruments and Risk Management

(a) Fair Values

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on 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 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial instruments, which includes cash and cash equivalents, amounts receivable (except GST receivable), loan receivable, accounts payable and accrued liabilities, amounts due to related parties, and loans payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

11. Financial Instruments and Risk Management (continued)

(b) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counter-party default on its obligation. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and loans receivable. The Company minimizes its credit risk associated with its cash balance by dealing with major financial institutions in Canada. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. The Company is not exposed to any significant foreign exchange rate risk.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as it does not have any assets or liabilities that are affected by changes in interest rates.

(e) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company manages liquidity risk by maintaining sufficient cash balances and adjusting its operating budget and expenditure. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term and other specific obligations.

12. Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the general operations of the Company and facilitate the liquidity needs of its operations. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its working capital position, share capital, and accumulated deficit.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the six months ended June 30, 2023. The Company is not subject to externally imposed capital requirements.

13. Commitments

(a) On July 21, 2022, the Company entered into an agreement for business development and advisory services for a term of 1 year in consideration for $350,000. During the six months ended June 30, 2023, the Company recognized consulting fees of $173,562 pursuant to the agreement. As at June 30, 2023, the Company has recognized $20,137 (December 31, 2022 - $193,699) in prepaid expenses for future services under the agreement.

(b) On January 17, 2023, the Company entered into an agreement for business development and advisory services for a term of 1 year in consideration for $120,000. During the six months ended June 30, 2023, the Company recognized consulting fees of $53,871 pursuant to the agreement. As at June 30, 2023, the Company has recognized $66,129 in prepaid expenses for future services under the agreement.

(c) On February 1, 2023, the Company entered into a rental agreement for a term of 6 months at $600 per month.

14. Subsequent Events

(a) Subsequent to the six months ended June 30, 2023, the Company received a loan of $100,000 from an arm's length party. The loan bears interest at 8% per annum and is due and payable on September 30, 2023.

(b) On August 9, 2023, the Company entered into an agreement for social media engagement and audience procurement services for a term of 3 months in consideration for US$13,500 per month.

(c) On August 9, 2023, the Company announced that it has entered into debt settlement agreements with a non-arm's length company controlled by an officer of the Company and an arm-length service provider, pursuant to which the Company agreed to settle an aggregate amount of $307,825 in outstanding debt in exchange for the issuance of 6,156,496 common shares at a deemed price of $0.05 per share.