# FORM 51-102F4

## *BUSINESS ACQUISITION REPORT*

## ITEM 1 - IDENTITY OF COMPANY

### 1.1 Name and Address of Company

Nurosene Health Inc. (formerly Nurosene Inc.) ("**Nurosene**")
Suite 101, 1655 Dupont Street
Toronto, ON
M6P 3T1

### 1.2 Executive Officer

The name and business telephone number of the executive officer of Nurosene who is knowledgeable about the significant acquisition and this Report is:

Blake Sing, Chief Financial Officer
Telephone: 416 859-8838

## ITEM 2 - DETAILS OF ACQUISITION

### 2.1 Nature of Business Acquired

On October 15, 2021, Nurosene, completed the acquisition (the "**Acquisition**") of all of the outstanding common shares of Netramark Corp. ("**Netramark**").

Nurosene acquired all of the issued and outstanding securities of NetraMark for a purchase price of CAD$15,000,000 payable as follows to shareholders of NetraMark: (i) 6,148,325 common shares at a price of approximately $2.09, representing an amount of CAD$12,850,000 of the Company and (ii) CAD$2,150,000 in cash. The Purchase Shares are subject to a contractual escrow ranging from 12 to 36 months.

Further information about the Acquisition can be found in the press releases of Nurosene dated October 12, 2021 and October 21, 2021, which can be accessed under Nurosene's issuer profile on SEDAR at www.sedar.com.

NetraMark Corp., a specialized AI and pharma-tech company, led by Dr. Joseph Geraci has developed novel solutions utilized by global pharmaceutical and biotechnology companies. These solutions allow them to leverage small to large data sets in order to optimize clinical trials and rapid drug development. This is accomplished by providing a superior understanding of their patient populations with these insights being used to develop new drugs and precision nutraceuticals. By putting a deeper understanding of patients first, NetraMark is in a position to significantly de-risk drug development.

Founded in 2016 by Dr. Joseph Geraci, PhD, and Richard M. Brooks, LLB, NetraMark was built to address current gaps in the pharmaceutical market. Utilizing a new paradigm of unsupervised machine learning, NetraMark provides powerful insights into how to treat patients at the individual level, instead of a 'one size fits all' model. NetraMark was built to accelerate the path towards new medications and nutraceuticals through leveraging their AI and pharma expertise.

### 2.2 Acquisition Date

October 15, 2021.

**2.3 Consideration**

Nurosene acquired all of the issued and outstanding securities of NetraMark for a purchase price of CAD$15,000,000 payable as follows to shareholders of NetraMark: (i) 6,148,325 common shares at a price of approximately $2.09, representing an amount of CAD$12,850,000 of the Company and (ii) CAD$2,150,000 in cash. The Purchase Shares are subject to a contractual escrow ranging from 12 to 36 months.

**2.4 Effect on Financial Position**

Except as disclosed in this report or otherwise publicly disclosed and in the ordinary course of Nurosene's business, Nurosene does not currently have any plans or proposals for material changes in its business which may have a significant impact on the financial performance and financial position of Nurosene.

Dr. Joseph Geraci, PhD was appointed as Nurosene's Chief Scientific Officer. Otherwise, there were no changes to the board of directors or management of Nurosene upon completion of the Acquisition.

**2.5 Prior Valuations**

To the knowledge of Nurosene, there has been no valuation opinion obtained within the last 12 month by Netramark or Nurosene required by securities legislation or a Canadian exchange or market to support the consideration paid by Nurosene for Netramark.

**2.6 Parties to Transaction**

The transaction described herein was not with any "informed person" (as defined in National Instrument 51-102 - *Continuous Disclosure Obligations*), associate or affiliate of Nurosene.

**2.7 Date of Report**

November 24, 2021.

**ITEM 3 - FINANCIAL STATEMENTS AND OTHER INFORMATION**

Pursuant to Part 8 of National Instrument 51-102 - Continuous Disclosure Obligations, the following financial statements are attached to and form part of this Report.

Attached as **Schedule A** hereto are the consolidated annual financial statements of Netramark's for the six months ended June 30, 2021, the years ended December 31, 2020 and 2019. Nurosene has not requested the consent of Netramark's auditors to include their auditor's report in this Report; therefore, the auditors have not given their consent to include their auditor's report in this Report.

**Forward-Looking Statements**

This Report may contain certain "forward-looking statements" or "forward-looking information" under applicable securities laws. Forward-looking terms such as "may," "will," "could," "should," "would," "plan," "potential," "intend," "anticipate," "project," "target," "believe," "estimate" or "expect" and other words, terms and phrases of similar nature are often intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and represent management's best judgment based on facts and assumptions that management considers reasonable. Specifically, this report contains forward looking statements related to Nurosene’s plans or proposals for changes to the business of Netramark, among others.

Any such forward-looking statements are subject to a number of risks and uncertainties that could cause actual results and expectations to differ materially from the anticipated results or expectations expressed in this Report, including results of Nurosene’s and Netramark's operations, regulatory environment and business conditions, among others. Nurosene cautions readers that should certain risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary significantly from those expected. You are referred to the risk factors described in Nurosene’s Prospectus and other documents on file with the Canadian securities regulatory authorities, which are available online under Nurosene’s SEDAR profile at www.sedar.com. The forward-looking statements and information contained in this Report represent Nurosene’s views only as of today's date. Nurosene disclaims any intention or obligation to update or revise any forward-looking statements, whether because of new information, future events or otherwise, other than as required by law, rule or regulation. You should not place undue reliance on forward-looking statements.

## Schedule A

See attached.

# CONSOLIDATED FINANCIAL STATEMENTS
**NetraMark Corp.**

For the six months ended June 30, 2021, the years ended December 31, 2020 and 2019, and January 1, 2019

**NetraMark Corp.**

Consolidated Financial Statements
For the six months ended June 30, 2021, the years ended December 31, 2020 and 2019, and January 1, 2019
(Canadian dollars)

**Consolidated Financial Statements**

SRCO Professional Corporation
Chartered Professional Accountants
Licensed Public Accountants
Park Place Corporate Centre
15 Wertheim Court, Suite 409
Richmond Hill, ON L4B 3H7
Tel: 905 882 9500 & 416 671 7292
Fax: 905 882 9580
Email: info@srco.ca
www.srco.ca

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of NetraMark Corp.

***Opinion***

We have audited the consolidated financial statements of NetraMark Corp. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2020, the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

***Basis for Opinion***

We conducted our audit 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 audit of the 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 2 in the consolidated financial statements, which indicates that the Company has experienced recurring losses and had an accumulated deficit for year ended December 31, 2020. These events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

***Other Matter – Comparative Information***

The consolidated financial statements for the year ended December 31, 2019 and the consolidated statement of financial position as at January 1, 2019 were neither audited nor reviewed.

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

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

*(continues)*

**Independent Auditor's Report to the Shareholders of NetraMark Corp.** *(continued)*

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.

*(continues)*

**Independent Auditor's Report to the Shareholders of NetraMark Corp.** *(continued)*

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

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

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

SRCO Professional Corporation

CHARTERED PROFESSIONAL ACCOUNTANTS

Authorized to practice public accounting by the

Chartered Professional Accountants of Ontario

Richmond Hill, Canada

October 12, 2021

# NetraMark Corp.
## Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

| | Note | June 30, 2021 (Reviewed) | December 31, 2020 (Audited) | December 31, 2019 (Unaudited) | January 1, 2019 (Unaudited) |
|---|---|---|---|---|---|
| **ASSETS** | | **$** | **$** | **$** | **$** |
| **CURRENT ASSETS** | | | | | |
| Cash | 2 | 351,633 | 217,636 | 459,832 | 866,178 |
| Short-term investment | 2 | 20,597 | 20,597 | 20,372 | 20,151 |
| Trade receivables | 4 | 96,035 | - | - | - |
| Prepaid expenses and deposits | 9 | 24,607 | 11,372 | 7,202 | 5,002 |
| HST receivable | | - | 41,785 | - | 37,802 |
| Refundable SR&ED investment tax credit receivable | 2 | - | 271,293 | 309,933 | 256,359 |
| **Total Current Assets** | | **492,872** | **562,683** | **797,339** | **1,185,492** |
| Right of use asset | 5 | - | 4,218 | 16,871 | - |
| Property and equipment | 6 | 4,575 | 9,767 | 16,939 | 23,327 |
| **Total Assets** | | **497,447** | **576,668** | **831,149** | **1,208,819** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| **CURRENT LIABILITIES** | | | | | |
| Accounts payable and accrued liabilities | 7 | 222,635 | 211,419 | 86,785 | 7,750 |
| HST payable | | 6,157 | - | 3,560 | - |
| Lease liability | 5 | - | 4,476 | 4,476 | - |
| Deferred grants | 8 | 5,967 | 3,906 | - | - |
| **Total Current Liabilities** | | **234,759** | **219,801** | **94,821** | **7,750** |
| Lease liability noncurrent portion | 5 | - | - | 12,774 | - |
| Deferred grants noncurrent portion | 8 | 3,000 | 3,906 | | |
| Long-term debt | 8 | 50,597 | 31,888 | - | - |
| **Total Liabilities** | | **288,356** | **255,595** | **107,595** | **7,750** |
| **SHAREHOLDERS' EQUITY** | | | | | |
| Share capital | 10 | 2,043,178 | 1,968,178 | 1,831,414 | 1,831,414 |
| Shares to be issued | 10 | - | 75,000 | - | - |
| Contributed surplus | 10 | 123,923 | 123,923 | 112,355 | 95,935 |
| Accumulated deficit | | (1,958,010) | (1,846,028) | (1,220,215) | (726,280) |
| **Total Shareholders' Equity** | | **209,091** | **321,073** | **723,554** | **1,201,069** |
| **Total Liabilities and Shareholders' Equity** | | **497,447** | **576,668** | **831,149** | **1,208,819** |

Subsequent events [Note 14]

Approved on behalf of the Board:

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Director Director

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

# NetraMark Corp.
## Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

| | Note | For three months ended June 30, 2021 (Reviewed) | For six months ended June 30, 2021 (Reviewed) | For three months ended June 30, 2020 (Reviewed) | For six months ended June 30, 2020 (Reviewed) | For year ended December 31, 2020 (Audited) | For year ended December 31, 2019 (Unaudited) |
|---|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ | $ |
| **Revenue** | | **223,906** | **356,964** | **13,982** | **13,982** | **156,368** | **368,031** |
| **Expenses** | | | | | | | |
| Salary, wages and subcontractor fees | 2 | 168,393 | 320,293 | 103,266 | 275,860 | 305,926 | 512,938 |
| Professional fees | | 45,041 | 59,933 | 40,229 | 93,467 | 195,312 | 189,157 |
| Rent | 9 | 5,300 | 14,300 | 12,167 | 33,334 | 57,434 | 72,000 |
| Consulting | | 40,143 | 40,143 | 46,025 | 54,725 | 55,049 | - |
| Share based compensation | 10 | - | - | 1,642 | 3,284 | 99,800 | 16,420 |
| Office and general | | 6,376 | 10,305 | 372 | 1,543 | 7,468 | 5,930 |
| Travel | | - | 1,081 | 523 | 8,980 | 9,533 | 12,190 |
| Telecommunications | | 561 | 1,624 | 1,463 | 3,075 | 6,224 | 5,152 |
| Dues and subscriptions | | 1,114 | 2,849 | 1,031 | 2,431 | 5,723 | 4,989 |
| Insurance | | 619 | 1,734 | 964 | 2,231 | 6,192 | 4,789 |
| Advertising and promotion | | - | - | 187 | 5,669 | 6,199 | 10,249 |
| Bank charges and interest, net | 5 | 2,337 | 4,322 | 2,273 | 3,214 | 6,292 | 400 |
| Utilities | | 1,027 | 2,237 | - | - | 1,042 | - |
| Amortization of right-of-use asset | 5 | 1,055 | 4,218 | 3,163 | 6,326 | 12,653 | 8,435 |
| Depreciation of property and equipment | 6 | 2,596 | 5,192 | 2,455 | 4,910 | 9,820 | 14,886 |
| Foreign exchange loss | | 1,763 | 3,159 | 9 | 8 | 232 | 4,431 |
| Amortization of government grants | 8 | (1,475) | (2,444) | - | (760) | (2,718) | - |
| **Total expenses** | | **274,850** | **468,946** | **215,769** | **498,297** | **782,181** | **861,966** |
| **Net loss before income taxes** | | **(50,944)** | **(111,982)** | **(201,787)** | **(484,315)** | **(625,813)** | **(493,935)** |
| Current income tax | 11 | - | - | - | - | - | - |
| Deferred income tax | 11 | - | - | - | - | - | - |
| **Net loss and comprehensive loss** | | **(50,944)** | **(111,982)** | **(201,787)** | **(484,315)** | **(625,813)** | **(493,935)** |
| **Loss per share - basic and diluted** | | (0.004) | (0.009) | (0.016) | (0.039) | (0.050) | (0.040) |
| **Weighted average number of outstanding common shares** | | 12,523,143 | 12,536,397 | 12,395,701 | 12,395,701 | 12,437,453 | 12,395,701 |

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

## NetraMark Corp.
## Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

| | Note | Common Shares Number | Common Shares Amount | Shares to be issued Number | Shares to be issued Amount | Contributed surplus | Accumulated Deficit | Total |
|---|---|---|---|---|---|---|---|---|
| | | | $ | | $ | $ | $ | $ |
| **Balance – January 1, 2019 (unaudited)** | | 12,395,701 | 1,831,414 | - | - | 95,935 | (726,280) | 1,201,069 |
| Stock options vested (unaudited) | 10 | - | - | - | - | 16,420 | - | 16,420 |
| Net loss for the year (unaudited) | | - | - | - | - | - | (493,935) | (493,935) |
| **Balance – December 31, 2019 (unaudited)** | | **12,395,701** | **1,831,414** | **-** | **-** | **112,355** | **(1,220,215)** | **723,554** |
| Issuance of common shares | 10 | 90,090 | 123,532 | - | - | - | - | 123,532 |
| Shares to be issued for service rendered | 10 | - | - | 49,429 | 75,000 | - | - | 75,000 |
| Shares issued for service rendered | 10 | 14,285 | 13,232 | - | - | - | - | 13,232 |
| Stock options vested | 10 | - | - | - | - | 11,568 | - | 11,568 |
| Net loss for the year | | - | - | - | - | - | (625,813) | (625,813) |
| **Balance – December 31, 2020 (audited)** | | **12,500,076** | **1,968,178** | **49,429** | **75,000** | **123,923** | **(1,846,028)** | **321,073** |

| | Note | Common Shares Number | Common Shares Amount | Shares to be issued Number | Shares to be issued Amount | Contributed surplus | Accumulated Deficit | Total |
|---|---|---|---|---|---|---|---|---|
| | | | $ | | $ | $ | $ | $ |
| **Balance – December 31, 2019 (unaudited)** | | 12,395,701 | 1,831,414 | - | - | 112,355 | (1,220,215) | 723,554 |
| Stock options vested (reviewed) | 10 | - | - | - | - | 3,284 | - | 3,284 |
| Net loss for the period (reviewed) | | - | - | - | - | - | (484,315) | (484,315) |
| **Balance – June 30, 2020 (reviewed)** | | **12,395,701** | **1,831,414** | **-** | **-** | **115,639** | **(1,704,530)** | **242,523** |
| | | | | | | | | |
| **Balance – December 31, 2020 (audited)** | | 12,500,076 | 1,968,178 | 49,429 | 75,000 | 123,923 | (1,846,028) | 321,073 |
| Issuance of common shares (reviewed) | 10 | 49,429 | 75,000 | (49,429) | (75,000) | - | - | - |
| Net loss for the period (reviewed) | | - | - | - | - | - | (111,982) | (111,982) |
| **Balance – June 30, 2021 (reviewed)** | | **12,549,505** | **2,043,178** | **-** | **-** | **123,923** | **(1,958,010)** | **209,091** |

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

# NetraMark Corp.
# Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

| | Note | For six months ended June 30, 2021 (Reviewed) | For six months ended June 30, 2020 (Reviewed) | For year ended December 31, 2020 (Audited) | For year ended December 31, 2019 (Unaudited) |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| **Cash flows from operating activities:** | | | | | |
| **Net loss** | | (111,982) | (484,315) | (625,813) | (493,935) |
| Adjustments for items not affecting cash: | | | | | |
| Amortization of right-of use asset | 5 | 4,218 | 6,326 | 12,653 | 8,435 |
| Depreciation of equipment | 6 | 5,192 | 4,910 | 9,820 | 14,886 |
| Interest income from term deposit | | - | - | (225) | (221) |
| Accretion on lease liability | 5 | 56 | 441 | 690 | 744 |
| Share based compensation | 10 | - | 3,284 | 99,800 | 16,420 |
| Interest accretion on long term debt | 8 | 2,308 | 657 | 2,418 | - |
| Amortization of government grants | 8 | (2,444) | (760) | (2,718) | - |
| | | (102,652) | (469,457) | (503,375) | (453,671) |
| Net changes in operating assets and liabilities | | | | | |
| Trade receivable | | (96,035) | (11,300) | - | - |
| Prepaid expenses and deposits | | (13,235) | - | (4,170) | (2,200) |
| HST receivable (payable) | | 47,942 | (44,475) | (45,345) | 41,362 |
| Refundable SR&ED investment tax credit receivable | | 271,293 | 309,933 | 38,640 | (53,574) |
| Accounts payable and accrued liabilities | | 11,216 | 34,034 | 124,634 | 79,035 |
| Government grants receivable | | - | (76,341) | - | - |
| **Net cash provided (used in) operating activities** | | **118,529** | **(257,606)** | **(389,616)** | **(389,048)** |
| **Cash flows from investing activities:** | | | | | |
| Purchase of property and equipment | 6 | - | - | (2,648) | (8,498) |
| **Net cash used in investing activities** | | **-** | **-** | **(2,648)** | **(8,498)** |
| **Cash flows from financing activities:** | | | | | |
| Proceeds from issuance of common shares | 10 | - | - | 123,532 | - |
| Proceeds from long term debt | 8 | 20,000 | 40,000 | 40,000 | - |
| Principal payments of lease liability | 5 | (4,532) | (6,666) | (13,464) | (8,800) |
| **Net cash provided by (used in) financing activities** | | **15,468** | **33,334** | **150,068** | **(8,800)** |
| Net increase (decrease) in cash during the year | | 133,997 | (224,272) | (242,196) | (406,346) |
| **Cash, beginning of the period/year** | | **217,636** | **459,832** | **459,832** | **866,178** |
| **Cash, end of the period/year** | | **351,633** | **235,560** | **217,636** | **459,832** |

| | | | | | |
|---|---|---|---|---|---|
| **Supplemental cash flow information** | | | | | |
| Income tax paid | | - | - | - | - |
| Interest paid | | - | - | - | - |

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

## 1. NATURE OF BUSINESS

NetraMark Corp. (the "Company") was incorporated on May 3, 2016 under the Canada Business Corporations Act. The Company has developed a proprietary technology which is a combination of artificial intelligence and systems biology technology to provide a unique vantage into drug targets and precision medicine using small and large data sets. The Company maintains its registered office at 2318 Queen Street East, Toronto, Ontario, M4E 1G8.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN

### Basis of presentation and statement of compliance

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

For all periods up to and including the year ended December 31, 2019, the Company prepared its consolidated financial statements in accordance with Accounting Standards for Private Enterprises (ASPE). These consolidated financial statements for the year ended December 31, 2020 are the first the Company has prepared in accordance with IFRS. Please refer to Note 3 for information on how the Company adopted IFRS.

These consolidated financial statements were approved and authorized for issuance by the Company's Board of Directors on October 12, 2021. The consolidated financial statements are presented in Canadian dollars which is also the Company and subsidiaries' functional currency. The accounting policies have been applied consistently in these consolidated financial statements, unless otherwise indicated.

These unaudited interim consolidated financial statements of the Company, for the six months ended June 30, 2021 and 2020, have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" and follow the same accounting policies as the consolidated financial statements for the years ended December 31, 2020 and 2019.

### Basis of consolidation

The consolidated financial statements include the accounts of all entities controlled by the Company, which are referred to as subsidiaries, and references to the Company include references to such subsidiaries. The financial statements of the subsidiaries are included in these consolidated financial statements from the date on which control commences until the date on which control ceases. The Company's wholly owned subsidiaries include NetraPharma AI Solutions Corp ("NetraPharma") and NetraloT Corp. ("NetraloT") which were incorporated on December 22, 2017 and December 22, 2017, respectively under the Canadian Business Corporations Act (Ontario).

Intercompany balances and transactions are eliminated upon consolidation and preparation of these consolidated financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN (continued)

### Going concern

These consolidated financial statements were prepared on a going concern basis. As at June 30, 2021, the Company had cash of $351,633 (December 31, 2020 - $217,636; December 31, 2019 – $459,832; January 1, 2019 - $866,178), working capital surplus of $258,113 (December 31, 2020 - $342,882; December 31, 2019 - $702,518; January 1, 2019 - $1,177,742), positive cash flow from operating activities of $118,529 (June 30, 2020 - negative cash flow from operating activities $257,606; December 31, 2020 – negative cash flow from operating activities $389,616; December 31, 2019 – negative cash flow from operating activities$389,048). The Company has recurring losses and as at June 30, 2021 had accumulated deficit of $1,958,010 (December 31, 2020 - $1,846,028; December 31, 2019 - $1,220,215; January 1, 2019 - $726,280). The Company's ability to continue as a going concern is dependent upon the ability of the Company to continuously generate sufficient revenues and positive cash flows from its operating activities and/or obtain sufficient additional financing to settle its obligations and fund its planned operations. At June 30, 2021 and December 31, 2020, the Company believes that it has sufficient cash to fund its planned operations for the next twelve months.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Should the Company be unable to generate sufficient cash flow from operations or financing activities, the carrying value of the Company's assets could be subject to material adjustments and other adjustments may be necessary to these consolidated financial statements should such events impair the Company's ability to continue as a going concern.

### Revenue from contracts with customers

The Company uses a single model for recognizing revenue from contracts with customers with the exception of certain contracts under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the expected consideration receivable in exchange for transferring those services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the Company satisfies a performance obligation.

The Company provides technical services to customers. The revenue is recognized at a point of time upon delivery of the services to customer.

### Cash

Cash includes demand deposits held with bank with an original maturity of 90 days or less.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN (continued)

### Short term investment

Short term investment includes term deposit held with bank with original maturity of more than 90 days and less than one year. Short-term investment is carried at amortized cost at an effective interest rate method less adjustment for loss allowance, if any.

### Lease

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of a low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Company accounted for real estate operating leases with a remaining lease term of less than 12 months as short-term leases (remaining lease term of more than 12 months are included for IFRS 16 adoption purposes).

The Company leases buildings, primarily for office use. For all long-term lease contracts the Company recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentive received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. There are no dismantling, removal and restoration costs included in the cost of the right-of-use asset as management has not incurred an obligation for those costs.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method.

### Covid-19 Impact

In December 2019, a novel strain of coronavirus (COVID-19) emerged. While initially the outbreak was largely concentrated in China and caused significant disruptions to its economy, it has now spread to several other countries and infections have been reported globally.

During 2020 and 2021, as a result of COVID-19 infections having been reported throughout Canada, United States and other countries, certain national, provincial, state and local governmental issued proclamations and/or directives aimed at minimizing the spread of COVID-19. Due to the disruption of the COVID-19 crisis, the Company’s business activities might be subject to certain level of adverse impact. To the date of the issuance of these consolidated financial statements, the Company is still assessing the impact on its business, results of operations, financial position and cash flows, which will be accounted for when the reliable estimates will become available.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN (continued)

### Critical Accounting Estimates and Judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and judgements that affect the applications of accounting policies regarding certain types of assets, liabilities, revenues, and expenses in the preparation of these consolidated financial statements. Estimates and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. These estimates and judgments are based on management's historical experience, best knowledge of current events or conditions and activities that the Company may undertake in the future. Actual results could differ materially from these estimates.

### Judgments

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the amounts reported in these consolidated financial statements are discussed below:

**a) Going concern**

Please refer above to "Going concern" note.

**b) Control and significant influence**

The Company uses judgement in determining the entities that it controls and therefore, consolidates or has significant influence and therefore equity accounts. The Company controls an entity when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The Company has significant influence when the Company has the power to participate in the financial and operating policy decisions of the investee, but does not control nor has joint control of that investee's policies.

**c) Income taxes**

In calculating current and deferred income taxes, the Company uses judgment when interpreting the tax rules where the Company operates. The Company also uses judgment in classifying transactions and assessing probable outcomes of claimed or accrued deductions, which considers expectations of future operating results, the timing and reversal of temporary differences and possible audits of income taxes filings by tax authorities.

**d) Share-based compensation and share purchase warrants**

In calculating date of grant/issuance valuations, various inputs and assumptions are used with respect to expected instruments life, risk free interest rate, dividend yield; expected volatility.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN (continued)

### Estimates

The effect of a change in an accounting estimate is recognized prospectively by including it in statement of loss and comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the changes affect both.

Certain estimates and assumptions that have a significant risk of causing material adjustments to the carrying amount of assets and liabilities within the next fiscal year include accrued liabilities. This estimate is based on management's assumptions, based on current circumstances, that management believes are a reasonable basis upon which to estimate the future liability.

With respect to testing non-financial assets for impairment, the Company determines value in use and fair value less cost to sale using such estimates as cash flows and discount rates. These estimates are periodically reviewed by management.

### Financial instruments

The Company uses three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI), and fair value through profit or loss (FVTPL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial liabilities are classified and measured in two categories, amortized cost or FVTPL. The Company does not separate derivatives embedded in contracts where the host is a financial asset. Instead, the hybrid financial instruments as a whole are assessed for classification.

a) **Classification of financial assets and financial liabilities**

The Company's financial assets and financial liabilities are classified as follows:

| | **Classification** |
|---|---|
| Cash | Amortized cost |
| Short term investment | Amortized cost |
| Trade receivables | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |
| Long-term debt | Amortized cost |

## 2. SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN (continued)

**Financial instruments (**continued**)**

On initial recognition, a financial asset is classified as measured at amortized costs, FVTPL, or FVTOCI. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. The Company recognizes trade receivables initially when they are originated. All other financial assets are initially recognized when the Company becomes a party to the contractual provisions of the instrument. All trade receivables without a significant financing component are initially measured at their transaction prices. All other financial assets are initially measured at fair value plus, for items not classified as FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent to initial recognition, financial assets as amortized costs are measured at cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. The Company recognizes debt securities it issues when they originate. All other financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. Fair value changes on financial liabilities classified as FVTPL are recognized through the consolidated statement of loss and comprehensive loss. At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in the consolidated statement of loss and comprehensive loss in the period in which they arise.

b) **Impairment of financial assets**

The Company uses a forward-looking "expected credit loss" ("ECL") model. The ECL model requires judgement, including consideration of how changes in economic factors and forward-looking information affect ECLs, which will be determined on a probability-weighted basis. The new impairment model is applied, at each reporting date, to the Company’s financial assets measured at amortized cost. Impairment losses are recorded in office and general expenses with the carrying amount of the financial asset reduced through the use of impairment allowance accounts. The Company applied the simplified approach for trade receivables and short-term investment.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN (continued)

### Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

The amount recognized as a provision is the best estimate of the consideration required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

### Property and equipment

Property and equipment are carried at cost less accumulated depreciation and impairment losses. Gains and losses arising on the disposal of individual assets are recognized in income in the year of disposal. Costs, including financing charges and certain design, construction and installation costs, related to assets that are under construction and are in the process of being readied for their intended use are recorded as construction in progress and are not subject to depreciation until they are ready for their intended use.

Depreciation, which is recorded from the date on which each asset is available for service, is generally provided for on a declining balance method on the following basis over the estimated useful lives of the property and equipment:

| | |
|---|---|
| Computer | 55% |
| Furniture and fixture | 20% |

Maintenance and repairs are charged to expense as incurred. Renewals and betterments, which materially prolong the useful lives of the assets, are capitalized. The cost and related accumulated amortization of property retired or sold are removed from the accounts, and gains or losses are recognized in the consolidated statements of loss.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for property and equipment, and any changes in estimates arising from the assessment are applied by the Company prospectively.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN (continued)

**Impairment of non-financial assets**

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If such an indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Where it is not possible to estimate the recoverable amount of an individual asset, assets are grouped together into the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For any other assets, an impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversal of impairment losses are recognized immediately in the consolidated statement of loss and comprehensive loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN (continued)

### Income taxes

Income tax expense represents the sum of current income tax expense and deferred income tax expense. Current income tax expense is based on taxable income for the year. Income tax is recognized in the consolidated statement of loss 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 income tax is the expected income tax payable or receivable on the taxable income or loss 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 income tax assets and liabilities are recognized based on differences in the financial statement carrying amount for assets and liabilities and the associated tax balance.

Deferred income tax liabilities are generally recognized for all taxable temporary differences. Temporary differences are not provided for goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred income tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities, when they relate to income taxes levied by the same taxation authority and when the Company intends to settle its current income tax assets and liabilities on a net basis.

The Company adopted IFRIC 23, *Uncertainty over Income Tax Treatment*, which clarified how to apply the recognition and measurement requirement in IAS 12, Income Tax, when there is uncertainty over income tax treatments. There were no uncertainties as at June 30, 2021, December 31, 2020, December 31, 2019 and January 1, 2019.

**2. SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN (continued)**

### Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and units are recognized as a deduction from equity. The Company records proceeds from share issuances net of issue costs and any tax effects.

**Loss per share**

Loss per share is calculated by dividing the total net loss by the weighted average number of shares outstanding during the period. Diluted loss per share reflects the potential dilution of shares that could share in the loss of an entity. Diluted loss per share excludes all potentially dilutive shares if their effect is anti-dilutive. There were no potentially dilutive shares outstanding as at June 30, 2021, June 30, 2020, December 31, 2020, December 31, 2019 and January 1, 2019.

**Share based compensation**

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as share-based compensation in the consolidated statement of loss and comprehensive loss, with a corresponding increase in contributed surplus, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. Share-based payment arrangements granted to non-employees are valued at the fair value of the goods or service received, measured at the date on which the goods are received, or the services are rendered. If the entity cannot estimate reliably the fair value of the goods or services received, the Company will measure the value and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, which the Company does using the Black-Scholes option-pricing model.

The increase in equity recognized in connection with a share-based payment transaction via stock options is presented in the “Contributed surplus" line item on the consolidated statements of financial position, as separate component in equity. For share-based payment awards with market conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where common shares are issued to employees and non-employees for services received, they are recorded at the fair value of the service received at the grant/issuance date. The grant/issuance date fair value is recognized in consolidated statement of loss at the vesting date with an increase in share capital.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN (continued)

### Share purchase warrants

Share purchase warrants that have been issued in combination with common shares under private placement or similar equity financing arrangements are evaluated under IAS 32 – Financial Instruments: Presentation. Equity classification applies to instruments where a fixed amount of cash (or liability) denominated in the issuer's functional currency is exchanged for a fixed number of shares. The fair value of the equity instruments issued is determined by using the Black-Scholes option-pricing model and recorded as a reduction of share capital as well as an increase in contributed surplus.

### Research and development

Expenditure on research activities is recognized on the consolidated statement of loss and comprehensive loss as incurred, net of government assistance in the form of refundable research and development tax credits. During the year ended December 31, 2020 and 2019, government assistance in the form of refundable research and development tax credits in the amount of $271,293 (2019 - $309,933 unaudited) have been applied against salary, wages and subcontractor fees that are directly attributable to research and development expenditures of approximately $658,560 (2019 - $822,871 unaudited) in the consolidated statement of loss and comprehensive loss.

### Government grants

Government grants related to salary and wages claimed are recognized as a credit to consolidated statement of loss and applied against the salary and wages. During the six months ended June 30, 2020 and for the year ended December 31, 2020, Canadian Emergency Wage Subsidy ("CEWS") claimed and received that were recognized and applied against salaries and wages were in the amount of $76,341 (reviewed) and $81,341, respectively.

### Operating segments

The Company determines its reportable segments based on, among other things, how the chief operating decision makers, regularly reviews its operations and performance. The Company follows the same accounting policies for its segments as those described in these consolidated financial statements.

For the six months ended June 30, 2021 and 2020, December 31, 2020 and 2019 and January 1, 2019, management has determined that the Company is considered to be operating in a single operating and reportable segment.

**2. SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN (continued)**

**Accounting Standards Issued but Not Yet Applied**

Certain new standards, interpretations, amendments, and improvements to existing standards were issued by the IASB or IFRS Interpretations Committee that are mandatory for fiscal periods beginning on or after January 1, 2021.

**(a) Amendments to IAS 1, Classification of Liabilities as Current or Non-current (IAS 1)**

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

• What is meant by a right to defer settlement

• That a right to defer must exist at the end of the reporting period

• That classification is unaffected by the likelihood that an entity will exercise its deferral right

• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The amendments to IAS 1 are not expected to have a significant impact on the Company's Consolidated Financial Statements.

**(b) Amendments to IFRS 7 - Financial Instruments: Disclosure; IFRS 9 – Financial Instruments; IAS 39, Financial Instruments: Recognition and Measurement; and IFRS 16**

In August 2020, the IASB published IBOR Reform Phase 2 which address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. For financial instruments at amortized cost, the amendments introduce a practical expedient such that if a change in the contractual cash flows is as a result of IBOR reform and occurs on an economically equivalent basis, the change will be accounted for by updating the effective interest rate with no immediate gain or loss recognized. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. Management is in the process of assessing the impact of these amendments on contracts in scope, including our IBOR-based financial instruments and hedge relationships, if any.

**(c) Reference to the Conceptual Framework – Amendments to IFRS 3**

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The IASB also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the IASB decided to

## 2. SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN (continued)

### Accounting Standards Issued but Not Yet Applied (continued)

**(c) Reference to the Conceptual Framework – Amendments to IFRS 3 (continued)**

clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

**(d) Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16**

In May 2020, the IASB issued Property, Plant and Equipment - Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

**(e) Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative (G&A) costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The amendments are not expected to have a material impact on the Company.

(Expressed in Canadian Dollars)

## 3. FIRST-TIME ADOPTION OF IFRS

These consolidated financial statements, for the year ended December 31, 2020, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended December 31, 2019, the Company prepared its consolidated financial statements in accordance with accounting standards for private enterprises (ASPE).

Accordingly, the Company has prepared consolidated financial statements that comply with IFRS applicable as at December 31, 2020, together with the comparative period data for the year ended December 31, 2019. In preparing the financial statements, the Group's opening statement of financial position was prepared as at January 1, 2019, the Company's date of transition to IFRS.

In preparing its opening and comparative IFRS statement of financial position, the Company has adjusted amounts reported previously in consolidated financial statements prepared in accordance with ASPE. Explanations of how the transition from ASPE to IFRS has affected the Company's equity, its comprehensive loss and cash flows are set out in the following reconciliations and the notes that accompany them.

Reconciliation of the shareholders' equity as at January 1, 2019 (date of transition to IFRS, unaudited)

| | **Reported under ASPE** | **Adjustment (a)** | **Adjustment** | **Reported under IFRS as at January 1, 2019 (unaudited)** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| Share capital | 1,831,414 | - | - | 1,831,414 |
| Contributed surplus | 74,515 | 21,420 | - | 95,935 |
| Accumulated deficit | (704,860) | (21,420) | - | (726,280) |
| **Shareholders' Equity** | **1,201,069** | **-** | **-** | **1,201,069** |

Reconciliation of the shareholders' equity as at December 31, 2019 (unaudited)

| | **Reported under ASPE** | **Adjustment (a)** | **Adjustment (b)** | **Reported under IFRS as at December 31, 2019** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| Share capital | 1,831,414 | - | - | 1,831,414 |
| Contributed surplus | 94,219 | 18,136 | - | 112,355 |
| Accumulated deficit | (1,201,700) | (18,136) | (379) | (1,220,215) |
| **Total shareholders' equity** | **723,933** | **-** | **(379)** | **723,554** |

(Expressed in Canadian Dollars)

### 3. FIRST-TIME ADOPTION OF IFRS (continued)

Reconciliation of loss and comprehensive loss as at December 31, 2019 (unaudited)

| | Reported under ASPE | Adjustment (a) | Adjustment (b) | Reported under IFRS |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Share based compensation | 19,704 | (3,284) | | 16,420 |
| Rent | 8,800 | | (8,800) | - |
| Bank charges and interest, net | - | | 8,435 | 8,435 |
| Depreciation and amortization | - | | 744 | 744 |
| **Loss and Comprehensive Loss** | **(496,840)** | **(3,284)** | **379** | **(493,935)** |

Reconciliation of cash flows for year ended December 31, 2019 (unaudited)

| | Reported under ASPE | Adjustment (a) | Adjustment (b) | Reported under IFRS |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Cash flows from operating activities: | | | | |
| Adjustments to for items not affect cash: | | | | |
| Share based compensation | 19,704 | (3,284) | | 16,420 |
| Amortization of right-of use asset | - | | 8,435 | 8,435 |
| Accretion on lease liability | - | | 744 | 744 |
| **Net cash used in operating activities** | **(383,153)** | **(3,284)** | **9,179** | **(389,048)** |
| | | | | |
| Cash flows from financing activities: | | | | |
| Principal payments of lease liability | - | | (8,000) | (8,000) |
| **Net cash used in financing activities** | **-** | **-** | **(8,000)** | **(8,800)** |

(a) Stock options and share-based compensation expenses

Under ASPE, for stock options subject to graded vesting, the Company treated such stock options awards as one award and recognized the stock options and share-based compensation expenses on a straight-line basis over the life of the equity instruments. Upon transition into IFRS, the Company recognized the stock options subject to graded vesting as separate awards and share-based compensation expenses over the vesting period.

## 3. FIRST-TIME ADOPTION OF IFRS (continued)

(b) Lease

Under ASPE, the Company charged office rent that is in nature an operating lease into statement of loss. Upon transition into IFRS 16 – Leases on January 1, 2019, the Company recognized right-of-use asset as well as lease liabilities.

(Expressed in Canadian Dollars)

## 4. TRADE RECEIVABLES

| | As at June 30, 2021 (Reviewed) | As at December 31, 2020 (Audited) | As at December 31, 2019 (Unaudited) | As at January 1, 2019 (Unaudited) |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Trade receivables | 96,035 | - | - | - |
| Impairment provision for trade receivables | - | - | - | - |
| **Trade receivables, net** | **96,035** | **-** | **-** | **-** |

## 5. RIGHT OF USE ASSET AND LEASE LIABILITIES

The Company's lease is related to the lease of building space that started on May 15, 2019 with an expiration date on May 15, 2021. When measuring lease liability, the Company discounted lease payments using its incremental borrowing rate.

**Right-of-use asset**

| | $ |
|---|---|
| **Balance upon May 15, 2019 (unaudited)** | **25,306** |
| Amortization charge for the period (unaudited) | (8,435) |
| **Balance at December 31, 2019 (unaudited)** | **16,871** |
| Amortization charge for the period (audited) | (12,653) |
| **Balance at December 31, 2020 (audited)** | **4,218** |
| Amortization charge for the period (reviewed) | (4,218) |
| **Balance at June 30, 2021 (reviewed)** | **-** |

**Lease liabilities**

| | $ |
|---|---|
| **Balance upon May 15, 2019 (unaudited)** | **25,306** |
| Accretion on lease liability (unaudited) | 744 |
| Lease payments (unaudited) | (8,800) |
| **Balance at December 31, 2019 (unaudited)** | **17,250** |
| Accretion on lease liability (audited) | 690 |
| Lease payments (audited) | (13,464) |
| **Balance at December 31, 2020 (audited)** | **4,476** |
| Accretion on lease liability (reviewed) | 56 |
| Lease payments (reviewed) | (4,532) |
| **Balance at June 30, 2021 (reviewed)** | **-** |

(Expressed in Canadian Dollars)

## 5. RIGHT OF USE ASSET AND LEASE LIABILITIES (continued)

| | As at June 30, 2021 (Reviewed) | As at December 31, 2020 (Audited) | As at December 31, 2019 (Unaudited) |
|---|---|---|---|
| | $ | $ | $ |
| **Classified as current** | - | 4,476 | 4,476 |
| **Classified as noncurrent** | - | - | 12,774 |

Subsequent to the office lease reached expiration on May 15, 2021, the Company rented office space on a month-by-month basis.

## 6. PROPERTY AND EQUIPMENT

| | Computer equipment | Furniture | Total |
|---|---|---|---|
| | $ | $ | $ |
| Cost | | | |
| Balance at December 31, 2018 (unaudited) | 35,106 | 1,116 | 36,222 |
| Additions (unaudited) | 8,498 | - | 8,498 |
| Balance at December 31, 2019 (unaudited) | 43,604 | 1,116 | 44,720 |
| Additions (audited) | 2,648 | - | 2,648 |
| Balance at December 31, 2020 (audited) | 46,252 | 1,116 | 47,368 |
| Additions (reviewed) | - | - | - |
| Balance at June 30, 2021 (reviewed) | 46,252 | 1,116 | 47,368 |
| | | | |
| Accumulated depreciation | | | |
| Balance at December 31, 2018 (unaudited) | 12,583 | 312 | 12,895 |
| Depreciation (unaudited) | 14,725 | 161 | 14,886 |
| Balance at December 31, 2019 (unaudited) | 27,308 | 473 | 27,781 |
| Depreciation (audited) | 9,691 | 129 | 9,820 |
| Balance at December 31, 2020 (audited) | 36,999 | 602 | 37,601 |
| Depreciation (reviewed) | 5,089 | 103 | 5,192 |
| Balance at June 30, 2021 (reviewed) | 42,088 | 705 | 42,793 |
| | | | |
| **Carrying amounts** | | | |
| **Balance at December 31, 2018 (unaudited)** | **22,523** | **804** | **23,327** |
| **Balance at December 31, 2019 (unaudited)** | **16,296** | **643** | **16,939** |
| **Balance at December 31, 2020 (audited)** | **9,253** | **514** | **9,767** |
| **Balance at June 30, 2021 (reviewed)** | **4,164** | **411** | **4,575** |

(Expressed in Canadian Dollars)

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | As at June 30, 2021 (Reviewed) $ | As at December 31, 2020 (Audited) $ | As at December 31, 2019 (Unaudited) $ | As at January 1, 2019 (Unaudited) $ |
|---|---|---|---|---|
| Accounts payable | 26,945 | 26,078 | 4,289 | 4,750 |
| Accrued liabilities | 195,690 | 185,341 | 82,496 | 3,000 |
| | **222,635** | **211,419** | **86,785** | **7,750** |

## 8. LONG-TERM DEBT AND DEFERRED GRANTS

During the year ended December 31, 2020, the Company obtained a $40,000 loan under the Canada Emergency Business Account Program (“CEBA Loan”, “Long-term debt). If the Company repays $20,000 by December 31, 2022, the $10,000 balance will be forgiven. Otherwise, an interest rate of 5% will apply to the balance, which will be repayable in 36 monthly blended instalments by December 31, 2025. An effective rate of 12% was used, taking into account the rate that the Company would have obtained for a similar loan, to arrive the present value of the CEBA loan in amount of $29,470 upon receipt of the CEBA loan proceeds. The effective interest will be accreted to the loan balance as well as charged to statement of loss over the period from date of receipt of loan proceeds to December 31, 2022. The difference between the present value and the proceeds from the CEBA loan in the amount of $10,530 was recorded as a deferred grant in the consolidated statement of financial position and will be recognized in the consolidated statement of loss at the same time as the occurrence of underlying expenses.

For the year ended December 31, 2020, the interest accretion expenses and amortization of deferred grants were in amount of $2,418 (June 30, 2020 - $657) and $2,718 (June 30, 2020 - $760) respectively.

During the six months ended June 30, 2021, the Company obtained an additional $20,000 loan under the Canada Emergency Business Account Program. If the Company repays $10,000 by December 31, 2022, the $10,000 balance will be forgiven. Otherwise, an interest rate of 5% will apply to the balance, which will be repayable in 36 monthly blended instalments by December 31, 2025. An effective rate of 12% was used, taking into account the rate that the Company would have obtained for a similar loan, to arrive the present value of the CEBA loan in amount of $16,401 (reviewed) upon receipt of the CEBA loan proceeds. The effective interest will be accreted to the loan balance as well as charged to statement of loss over the period from date of receipt of loan proceeds to December 31, 2022. The difference between the present value and the proceeds from the CEBA loan in the amount of $3,599 (reviewed) was recorded as a deferred grant in the consolidated statement of financial position and will be recognized in the consolidated statement of loss at the same time as the occurrence of underlying expenses.

For the six months ended June 30, 2021, the interest accretion expenses and amortization of deferred grants were in amount of $2,308 (reviewed) and $2,444 (reviewed), respectively.

(Expressed in Canadian Dollars)

## 8. LONG-TERM DEBT AND DEFERRED GRANTS (continued)

The reconciliation of CEBA loans is as follows:

| | $ |
|---|---|
| Proceeds from CEBA loan – 2020 | 40,000 |
| Recognition of deferred grants | (10,530) |
| Interest accretion during 2020 | 2,418 |
| **Balance as at December 31, 2020** | **31,888** |
| Proceeds from CEBA loan -2021 (reviewed) | 20,000 |
| Recognition of deferred grants (reviewed) | (3,599) |
| Interest accretion during the period (reviewed) | 2,308 |
| **Balance as at June 30, 2021 (reviewed)** | **50,597** |

The reconciliation of deferred grants is as below:

| | $ |
|---|---|
| Recognition of deferred grants -2020 | 10,530 |
| Amortization of deferred grants during 2020 | (2,718) |
| **Balance as at December 31, 2020** | **7,812** |
| Recognition of deferred grants (reviewed) | 3,599 |
| Amortization of deferred grants during the period (reviewed) | (2,444) |
| **Balance as at June 30, 2021 (reviewed)** | **8,967** |

The summary of classification of long-term debt and deferred grants is as follows:

| | **June 30, 2021 (reviewed)** | **December 31, 2020 (audited)** |
|---|---|---|
| | **$** | **$** |
| Total long-term debt | 50,597 | 31,888 |
| Less: current portion | - | - |
| **Noncurrent portion** | **50,597** | **31,888** |

| | **June 30, 2021 (reviewed)** | **December 31, 2020 (audited)** |
|---|---|---|
| | **$** | **$** |
| Total deferred grants | 8,967 | 7,812 |
| Less: current portion | 5,967 | 3,906 |
| **Non-current portion** | **3,000** | **3,906** |

(Expressed in Canadian Dollars)

## 9. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2020 and 2019, the Company made rental payment in amount of $36,000 and $72,000 (unaudited) for extra office space from a corporation that was owned by a director of the Company. As at June 30, 2021, December 31, 2020 and December 31, 2019, included in prepaid expenses, $5,000 represented rental deposits a corporation that was owned by a director of the Company.

During the six months ended June 30, 2021 and 2020, the Company made rental payment in amount of $NIL (reviewed) and $30,000 (reviewed) for extra office space from a corporation that was owned by a director of the Company.

Key management includes members of the Board and executive officers of the Company. Compensation awarded to key management is listed below:

| | For six months ended June 30, 2021 (Reviewed) | For six months ended June 30, 2020 (Reviewed) | For year ended December 31, 2020 (Audited) | For year ended December 31, 2019 (Unaudited) |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Cash based compensation | **79,442** | **107,740** | **215,480** | **226,595** |

## 10. SHAREHOLDERS' EQUITY

The Company is authorized to issue an unlimited number of common shares with no par value. Shares issued and outstanding are:

| | June 30, 2021 (Reviewed) | December 31, 2020 (Audited) | December 31, 2019 (Unaudited) | January 1, 2019 (Unaudited) |
|---|---|---|---|---|
| Authorized: | | | | |
| Unlimited Class A voting common shares | | | | |
| Unlimited Class B non-voting common shares | | | | |
| Unlimited Class C voting special shares | | | | |
| Unlimited Class D non-voting special shares | | | | |
| Issued and outstanding | 12,549,505 | 12,500,076 | 12,395,701 | 12,395,701 |
| Class A voting common shares | $2,043,178 | $1,968,178 | $1,831,414 | $1,831,414 |
| | **$2,043,178** | **$1,968,178** | **$1,831,414** | **$1,831,414** |

### a) Issuance of shares

During the six months ended June 30, 2021, the Company issued 49,429 common shares that was recorded as shares to be issued as at December 31, 2020.

(Expressed in Canadian Dollars)

**10. SHAREHOLDERS' EQUITY (continued)**

**a) Issuance of shares (continued)**

During the year ended December 31, 2020, the Company issued 90,090 common shares pursuant to a private placement and received net proceeds in amount of $123,532. During the year ended December 31, 2020, the Company issued 14,285 common shares to a service provider.

The fair value of the share issued in the amount of $13,232 was determined by fair value of service received and recorded in share capital as well as increased share-based compensation expense in consolidated statements of loss and comprehensive loss.

During the year ended December 31, 2019, the Company did not issue common shares.

**b) Shares to be issued**

During the year ended December 31, 2020, the Company committed to issue 49,429 common shares to a consultant. The fair value of those shares to be issued, in the amount of $75,000, was determined by the fair value of service received. The 49,429 common shares have been issued subsequent to December 31, 2020 (Note 14).

**c) Share purchase warrants**

In October 2017, pursuant to a private placement, the Company issued 71,809 (12,136 and 59,673 respectively) common share purchase warrants to a broker. Those two issuances of warrants were vested immediately and exercisable at a price of $0.87 and $0.90 respectively with a term of three years from the date of issuance. The fair value of the warrants in amount of $40,106 was determined by using the Black-Scholes pricing model with the following assumptions: (i) expected option life of 3 years; (ii) risk free rate of 1.57% and 1.45%; (iii) dividend yield of nil; (iv) expected volatility of 100%; and (v) share price of $0.87 and $0.90 respectively at the time of issuance. Issuances of warrants are recorded in "Contributed surplus" in the consolidated statements of financial position. Those warrants issued were not exercised from date of issuance and have expired in October 2020.

| | **Number** | **Weighted average remaining life (years)** | **Weighted average exercise price ($)** |
|---|---|---|---|
| Warrants outstanding at January 1, 2019 (unaudited) | 71,809 | 1.2 | 0.56 |
| Warrants exercised during 2019 (unaudited) | - | | 0.56 |
| **Warrants outstanding at December 2019 (unaudited)** | **71,809** | **0.8** | **0.56** |
| Warrants exercised during 2020 | - | - | - |
| Warrants expired during 2020 | (71,809) | - | 0.56 |
| **Warrants outstanding at December 31, 2020 and June 30, 2021** | **-** | **-** | **-** |

(Expressed in Canadian Dollars)

## 10. SHAREHOLDERS' EQUITY (continued)

### d) Stock options

During the year ended December 31, 2018, the Company granted 116,463 stock options to a consultant for service provided and those stock options would be vested on December 31, 2018, December 31, 2019 and December 31, 2020 at a rate of 50%, 25% and 25% respectively. The options were exercisable at $0.90 per share with a term of 5 years upon vesting. The fair value of these options in amount of $78,817 was calculated using the Black-Scholes pricing model with the following assumptions: (i) expected option life of 5 years; (ii) risk free rate of 2.13%; (iii) dividend yield of nil; (iv) expected volatility of 100%; and (v) share price of $0.90 at the time of grant. During the six months ended June 30, 2020, the year ended December 31, 2020, 2019 and 2018, the share-based compensation expenses charged to profit or loss as well as increase in contributed surplus were $3,284 (reviewed), $6,568 (audited), $16,420 (unaudited) and $55,829 (unaudited) respectively.

During the year ended December 31, 2020, the Company granted 90,000 options to a consultant for service provided at a nominal exercise price. The fair value of the options in amount of $5,000 was determined by the fair value of service received and recorded in statement of loss as well as contributed surplus. During the year ended December 31, 2020, those options were cancelled.

| | **Number** | **Weighted average remaining life (years)** | **Weighted average exercise price $** |
|---|---|---|---|
| Options outstanding at January 1, 2019 (unaudited) | 58,232 | 5 | 0.68 |
| Options vested (unaudited) | 29,116 | 4 | 0.68 |
| Options expired (unaudited) | - | - | - |
| Options exercised (unaudited) | - | - | - |
| **Options outstanding at December 31, 2019 (unaudited)** | **87,348** | **4** | **0.68** |
| Options vested | 29,115 | 4 | 0.68 |
| Options granted | 90,000 | 3 | 0.06 |
| Options cancelled | (90,000) | (3) | (0.06) |
| Options exercised | - | - | - |
| **Options outstanding at December 31, 2020 (audited)** | **116,463** | **3.75** | **0.68** |
| **Options outstanding at June 30, 2021 (reviewed)** | **116,463** | **3.25** | **0.68** |

(Expressed in Canadian Dollars)

## 11. INCOME TAXES

### a) Current income taxes

The recovery of income taxes differs from that which would be expected by applying the federal and provincial statutory income tax rates of 26.50% for six months ended June 30, 2021 (June 30, 2020, December 31, 2020 and 2019 – 26.50%) to loss before income taxes. A reconciliation of the difference is as follows:

| | June 30, 2021 (reviewed) $ | June 30, 2020 (reviewed) $ | December 31, 2020 (audited) $ | December 31, 2019 (unaudited) $ |
|---|---|---|---|---|
| **Loss before income taxes** | (111,982) | (484,315) | (625,813) | (493,935) |
| Expected income tax recovery as statutory income tax rates | (29,675) | (128,343) | (165,840) | (130,893) |
| Tax effects of | | | | |
| Non-deductible expenses and other items | 148 | 147 | 80,407 | 63,832 |
| Deferred tax asset was recognized | 29,527 | 128,196 | 85,433 | 67,061 |
| **Income tax expense** | - | - | - | - |

### b) Deferred income taxes

| | June 30, 2021 (reviewed) $ | June 30, 2020 (reviewed) $ | December 31, 2020 (audited) $ | December 31, 2019 (unaudited) $ |
|---|---|---|---|---|
| Deferred tax assets (liabilities) | | | | |
| Loss carry-forwards | 1,171,107 | 1,219,938 | 1,059,125 | 735,623 |
| Deductible temporary differences | 3,001 | 4,117 | 3,559 | 4,674 |
| | **1,174,108** | **1,224,055** | **1,062,684** | **740,297** |
| Potential deferred tax assets | 29,527 | 128,196 | 85,433 | 67,061 |
| Potential tax assets not recognized | (29,527) | (128,196) | (85,433) | (67,061) |
| **Net deferred income taxes** | - | - | - | - |

As at December 31, 2020, the Company has available Canadian non-capital losses in the amount of $1,059,125 (2019 – $735,623) to reduce Canadian taxable income in future years.

The non-capital loss carry-forwards will expire as follows:

| | |
|---|---|
| 2037 | 136,262 |
| 2038 | 350,973 |
| 2039 | 248,388 |
| 2040 | 323,502 |
| | **$1,059,125** |

## 11. INCOME TAXES (continued)

The Company's ability to realize the tax benefits is dependent upon a number of factors, including the history of earnings and the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recovered. Accordingly, a corresponding full valuation allowance was recorded to deferred tax assets.

## 12. FINANCIAL INSTRUMENTS

### Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

• Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

• Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.

• Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

### Financial Risk Management

The Company is exposed to credit risk, liquidity risk and foreign currency risk. The Company's management oversees the management of these risks. The Company's management is supported by the Board that advises on financial risks and the appropriate financial risk governance framework for the Company. The Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and the Company risk appetite.

(Expressed in Canadian Dollars)

### 12. FINANCIAL INTRUMENTS (continued)

#### a) Credit Risk and Economic Dependence

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and trade and other receivables. The cash consists of money held in a reputable Canadian bank. To reduce its credit risk from its trade receivables balances, the Company reviews a new client credit history before extending credit. The Company recognized an impairment provision in the amount of $NIL as at June 30, 2021 (December 31, 2020 - $NIL; December 31, 2019 - $NIL; January 1, 2019 - $NIL;).

The following table provides information regarding the aged trade receivables:

| | Current | 31-60 days | 61 days over | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **At June 30, 2021(reviewed)** | **59,801** | **36,234** | **-** | **96,035** |
| **At December 31, 2020 (audited)** | **-** | **-** | **-** | **-** |
| **At December 31, 2019 (unaudited)** | **-** | **-** | **-** | **-** |
| **At January 1, 2019 (unaudited)** | **-** | **-** | **-** | **-** |

During year ended December 31, 2019, 87% revenue was generated from one customer with no outstanding balance at December 31, 2019. During year ended December 31, 2020, 64% revenue was generated from one customer with no outstanding balance at December 31, 2020. During six months ended June 30, 2021, and 79% of revenue were generated from two customers and the two customers’ trade receivables balance was 62% of the total trade receivables balance at June 30, 2021.

#### b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligation associated with financial liabilities. The Company is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages liquidity risk through maintaining sufficient funds in the bank.

(Expressed in Canadian Dollars)

## 12. FINANCIAL INTRUMENTS (continued)

### b) Liquidity Risk (continued)

The following table sets out the Company's contractual maturities (representing undiscounted contractual cash flows) of financial liabilities and commitments:

| | 12 months | 1 to 2 years | 2 to 5 years | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Accounts payable and accrued liabilities | 222,635 | - | - | 222,635 |
| Long term debts | - | 60,000 | - | 60,000 |
| **At June 30, 2021 (reviewed)** | 222,635 | 60,000 | - | 282,635 |

| | 12 months | 1 to 2 years | 2 to 5 years | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Accounts payable and accrued liabilities | 211,419 | - | - | 211,419 |
| Long term debts | - | 40,000 | - | 40,000 |
| Lease liabilities | 4,532 | - | - | 4,532 |
| **At December 31, 2020 (audited)** | 215,951 | 40,000 | - | 255,951 |

| | 12 months | 1 to 2 years | 2 to 5 years | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Accounts payable and accrued liabilities | 86,785 | - | - | 86,785 |
| Lease liabilities | 4,532 | 13,464 | - | 17,996 |
| **At December 31, 2019 (unaudited)** | **91,317** | **13,464** | **-** | **104,781** |

| | 12 months | 1 to 2 years | 2 to 5 years | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Accounts payable and accrued liabilities | 7,750 | - | - | 7,750 |
| **At January 1, 2019 (unaudited)** | **7,750** | **-** | **-** | **7,750** |

## 12. FINANCIAL INTRUMENTS (continued)

### c) Foreign Currency Risk

Currency risk is the risk that the future cash flows or fair value of the Company's financial instruments that are denominated in a currency that is not the Company's functional currency will fluctuate due to the change in foreign exchange rate. The functional currency of the Company is the Canadian dollar. The Company is exposed to the currency exchange rate risk on its trade receivables. The Company does not use derivative financial instruments to mitigate its exposure to currency risk. Management, however, mitigates currency risk by regular monitoring, transacting in stable currencies, matching the foreign currency payables and minimizing the net exposure in any foreign currency at any point of time.

### d) Market Risk

Market risk is the risk that changes in market prices, such as interest rates will affect the Company's net earnings or the value of financial instruments. The objective of the Company is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns.

## 13. COMMITMENT AND CONTINGENCIES

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As at June 30, 2021, December 31, 2020, June 30, 2020, December 31, 2019 and January 1, 2019 there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

## 14. SUBSEQUENT EVENTS

Subsequent to December 31, 2020, the Company received $271,293 refundable SR&ED investment tax credit.

Subsequent to December 31, 2020, the Company issued 49,429 common shares to a consultant (Note 10 b)).

On September 19, 2021, the Company and Nurosene Health Inc. ("Nurosene"), a publicly listed company in Canada, reached a share exchange agreement ("agreement") and based on which Nurosene will acquire all of the issued and outstanding shares of the Company. The purchase consideration is $15,000,000 ("Purchase Price"), subject to Net Working Capital Adjustment. The Purchase Price is composed of: (i) $2,150,000 in cash ("Cash Consideration") with $200,000 (the "Holdback Amount") of the Cash Consideration to be held back by Nurosene in accordance with agreement and to be allocated and paid to each Shareholder; (ii) 6,148,325 Common Shares (the "Payment Shares") at a deemed value of $2.09 per Payment Share and to be registered and delivered to each Shareholder.