

NUROSENE HEALTH INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2022, AND SEPTEMBER 30, 2021
(In Canadian Dollars)

Independent Auditor's Report



To the Shareholders of Nurosene Health Inc.:

Opinion

We have audited the consolidated financial statements of Nurosene Health Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2022 and September 30, 2021, and the consolidated statements of loss and other comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2022 and September 30, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements, which describes matters and conditions of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Robert James Ripley.

MNP LLP

Toronto Ontario
January 27, 2023

Chartered Professional Accountants
Licensed Public Accountants

MNP

Nurosene Health Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	September 30, 2022 \$	September 30, 2021 \$
Assets			
Current Assets			
Cash and Cash Equivalents		10,092	6,286,115
Accounts Receivable		8,432	-
Prepaid Expenses		8,162	146,554
Other Receivables	5	245,181	347,655
Short Term Investments	6	5,000	40,000
Total Current Assets		276,867	6,820,324
Non-Current Assets			
Intangibles	7	2,515,531	1,582,321
Goodwill	4	6,405,361	-
Total Non-Current Assets		8,920,892	1,582,321
Total Assets		9,197,759	8,402,645
Liabilities			
Current Liabilities			
Accounts Payable and Accrued Liabilities		1,064,150	458,864
Deferred Revenue	8	23,029	-
Total Current Liabilities		1,087,179	458,864
Total Liabilities		1,087,179	458,864
Shareholders' Equity			
Share Capital	9	24,249,313	11,754,122
Contributed Surplus	9	2,685,753	1,566,466
Accumulated Deficit		(18,824,486)	(5,376,807)
Total Shareholders' Equity		8,110,580	7,943,781
Total Liabilities and Shareholders' Equity		9,197,759	8,402,645

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

Nature of operations and going concern (note 1)
Subsequent events (note 15)

Approved and authorized for issue by the Board of Directors on January 27, 2023.

"Kevin Taylor"
Director

"Andrew Parks"
Director

Nurosene Health Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended September 30, 2022, and September 30, 2021
(Expressed in Canadian Dollars)

	Note	Year Ended	
		September 30, 2022 \$	September 30, 2021 \$
Revenue			
Sales Revenue	3	113,031	-
Total Revenue		113,031	-
Expenses			
Sales, General and Administrative	10	6,201,471	3,837,227
Share-Based Compensation	9	1,246,689	1,209,162
Impairment of Intangible Assets	7	1,734,815	-
Impairment of Goodwill	4	4,028,953	-
Depreciation and Amortization	7	596,905	-
Transaction Costs		-	37,952
Total Expenses		13,808,833	5,084,341
(Loss) from operations before income taxes		(13,695,802)	(5,084,341)
Deferred Income Tax Recovery	12	248,123	-
Net (Loss) and Comprehensive (Loss)		(13,447,679)	(5,084,341)
Net (Loss) Per Share – Basic and Diluted		(0.33)	(0.20)
Weighted Average Number of Shares Outstanding – Basic and Diluted		40,545,673	25,763,227

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

Nurosene Health Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended September 30, 2022, and September 30, 2021
(Expressed in Canadian Dollars)

	Notes	Number of Shares	Common Shares \$	Shares to be issued \$	Contributed Surplus \$	Deficit \$	Total \$
Balance, September 30, 2020		20,802,975	1,951,762	135,000	32,244	(292,466)	1,826,540
Issuance of Common Shares, net of expenses	9	11,809,721	8,597,729	-	-	-	8,597,729
Issuance of Common Share for Services	9	970,096	1,292,966	-	-	-	1,292,966
Issuance of Common Shares, Previously Unissued	9	-	135,000	(135,000)	-	-	-
Issuance of Finders' Warrants	9	-	(395,762)	-	395,762	-	-
Share Based Compensation	9	-	-	-	1,209,162	-	1,209,162
Issuances of Common Shares on Exercise of Finders' Warrants	9	84,819	96,031	-	(37,906)	-	58,125
Issuance of Common Shares on Cashless Options Exercise	9	104,000	76,396	-	(32,796)	-	43,600
Net loss for the year		-	-	-	-	(5,084,341)	(5,084,341)
Balance, September 30, 2021		33,771,611	11,754,122	-	1,566,466	(5,376,807)	7,943,781
Issuance of Common Shares, for acquisition	9,4	6,148,325	11,066,985	-	-	-	11,066,985
Issuance of Common Share for Services	9	933,924	609,228	-	-	-	609,228
Issuance of Common Share Units, Private Placement, Net of expenses	9	1,487,500	472,222	-	102,863	-	575,085
Share Based Compensation	9	-	-	-	1,246,689	-	1,246,689
Issuances of Common Shares on Exercise of Finders' Warrants	9	133,602	197,623	-	(81,132)	-	116,491
Issuance of Common Shares on Cashless Options Exercise	9	21,140	74,133	-	(74,133)	-	-
Issuance of Common Shares on Exercise of Restricted Shares Units	9	25,000	75,000	-	(75,000)	-	-
Net loss for the year		-	-	-	-	(13,447,679)	(13,447,679)
Balance, September 30, 2022		42,521,102	24,249,313	-	2,685,753	(18,824,486)	8,110,580

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

Nurosene Health Inc.
Consolidated Statements of Cash Flow
For the Years Ended September 30, 2022, and September 30, 2021
(Expressed in Canadian dollars)

	Note	September 30, 2022 \$	September 30, 2021 \$
Cash Flow from Operating Activities			
Net Loss and Comprehensive Loss for the Year		(13,447,679)	(5,084,341)
Items not affecting cash:			
Shares issued for services	9	609,228	1,323,406
Share-based compensation	9	1,246,689	1,209,162
Depreciation and Amortization	7	596,905	-
Impairment in Intangible Asses	7	1,734,815	-
Impairment of Goodwill	4	4,028,953	-
Deferred Income Tax	12	(248,123)	-
Changes in non-cash working capital items:			
Decrease in prepaid expenses		138,392	(50,186)
Increase in Accounts Receivables		(8,432)	-
Increase in Other Receivables		102,474	(317,677)
Increase in Accounts Payable and Accrued Liabilities		445,601	315,871
Deferred Revenue	8	23,029	-
Cash Flow used in Operating Activities		(4,778,148)	(2,603,765)
Cash Flow form Investing Activities			
Payment for NetraMark acquisition, Net	4	(2,071,957)	-
Increase in Intangible Assets	7	(152,494)	(1,582,321)
Redemption of short-term investment		35,000	(40,000)
Cash Flow used in Investing Activities		(2,189,451)	(1,622,321)
Cash Flow from Financing Activities			
Proceeds from Issuance of Common Shares, Net	9	575,085	8,669,014
Issuance of Common Shares on exercise of Warrants	9	116,491	-
Cash Flow from Financing Activities		691,576	8,669,014
Change in Cash and Cash Equivalents		(6,276,023)	4,442,928
Cash and Cash Equivalents, Beginning of Year		6,286,115	1,843,187
Cash and Cash Equivalents, End of Year		10,092	6,286,115

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

Nurosene Health Inc.
Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars, unless otherwise stated)
For the Years Ended September 30, 2022, and September 30, 2021

1. Nature of Operations and Going Concern

Nurosene Health Inc. (the "Company") was incorporated under the *Business Corporations Act* (Ontario) on May 8, 2019, under the name "2695174 Ontario Inc.". On June 19, 2020, the Company changed its name from "2695174 Ontario Inc." to "Nurosene Inc.". On March 26, 2021, the Company completed a continuance from the *Business Corporations Act* (Ontario) to the *Business Corporations Act* (British Columbia). In connection with the continuance, the Company changed its name to "Nurosene Health Inc."

The Company's head office is located at 1655 Dupont Street, Suite 101, Toronto, Ontario M6P 3T1 and its registered office is located at 500 Burrard Street, Suite 2900, Vancouver, British Columbia V6C 0A3.

Negative Operating Cash Flow

The Company currently has a negative operating cash flow and may continue to have a negative operating cash flow for the foreseeable future. To date, the Company has begun to generate revenues, however, it is expected that additional capital investment will be required to continue to build the revenue pipeline. The Company's ability to generate revenues and potential to become profitable will depend largely on the ability to develop and market products and services. These consolidated financial statements have been prepared on a basis that assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. These consolidated financial statements do not reflect any adjustments that may be necessary should the Company be unable to continue as a going concern. The Company incurred a net loss of \$13,447,679 (2021 - \$5,084,341) during the year ended September 30, 2022, and, as at that date, had working capital deficiency for of \$810,312 (2021 - \$6,361,460 positive working capital) and a cumulative deficit of \$18,824,486 (2021 - \$5,376,807). There can be no assurance that any such events will occur or that the Company will ever become profitable.

Additional Financing

To date, the Company has no significant source of revenue to fund all of its operational needs and will require significant additional financing to continue its operations. There can be no assurance that such financing will be available at all or on favourable terms. Failure to obtain such additional financing could result in delay or indefinite postponement of the Company's deployment of its products. Additional financing may dilute the ownership interest of the Company's shareholders at the time of the financing and may dilute the value of their investment.

Uncertainty of Additional Capital

The Company anticipates expending substantial funds to carry out the development, distribution and development of its products. The Company has been successful in raising funds from the issuance of shares (note 4). Therefore, the Company's ability to obtain additional financing is enough to assume that the Company will continue as a going concern. There can be no assurances that the Company will be able to secure the necessary financing to enable it to continue as a going concern. The factors noted above indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern. If the going concern basis is not appropriate, material adjustments may be necessary to the carrying amounts and/or classification of assets and liabilities.

2. Basis of Presentation

(a) Statement of compliance

These consolidated annual financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The accounting policies set out below have been applied consistently to all periods presented.

(b) Basis of presentation

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value, as detailed in the Company’s accounting policies.

(c) Functional and presentation currency

The Company’s functional currency, as determined by management, is the Canadian dollar. These financial statements are presented in Canadian dollars.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue 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.

Management has applied significant estimates and assumptions related to the following:

Fair value of stock options, restricted share units and warrants

Management uses the Black-Scholes option-pricing model to calculate the fair value of stock options, and warrants. Use of this method requires management to make assumptions and estimates about the expected life of options, the risk-free rate, and the volatility of the Company’s share price. In making these assumptions and estimates, management relies on historical market data.

Intangible Assets

Management regularly assesses the recoverability of intangible assets not ready for use at least annually and identifies the best methodology to reflect the fair value of these intangible assets. Management uses the replacement cost method to evaluate the fair value because the costs of these intangible assets were incurred in the past year and the cost to reperform the work is relatively stable.

Impairment test for goodwill and intangibles

Goodwill is assessed annually for impairment. To determine the impairment of goodwill, the management has applied discount rate to future cash flows to calculate the recoverable amounts of cash generating units.

2. Basis of Presentation (Continued)

(d) Use of estimates and judgements (continued)

Determination of a Cash Generating Unit (CGU)

Management's judgment is required in determining the Company's CGUs for the impairment assessment of its goodwill and intangible assets. The CGUs have been determined considering level of operating activities and

independent cash flows generated from groups of assets. Management determined the smallest identifiable group of assets that independently generates cash inflows and whose cash flow is largely independent of the cash inflows from other assets or groups of assets is the entire company.

Amortization of intangible assets

The management has considered an estimate and assumption of the useful life of the asset to be five years.

Business Combinations

The acquisition method of accounting is used to account for the purchase of subsidiaries by the Company. The cost of the acquisition is the aggregate of the consideration transferred, measured at the acquisition date, and the amount of any non-controlling interest in the acquiree. The company elects to measure the fair value of the purchase consideration and the identifiable intangible assets upon the business combination.

Share-Based Payments

In situations where equity instruments are issued to non-employees, shares issued are recognized at the fair value of services or goods received by the entity. In situations where some or all of the goods or services received by the entity as consideration cannot be estimated reliably, they are measured at the fair value of the equity instrument granted. The fair value of the share-based payments is recognized together with a corresponding increase in equity over a period that services are provided, or goods are received.

Going Concern

The management has assessed the Company's ability to continue as a going concern and elects to use the going concern as the basis of accounting and financial statement preparation.

3. Significant Accounting Policies

A summary of the significant accounting policies, which have been applied consistently to all periods presented in the accompanying financial statements are set out below:

Cash and cash equivalent

Cash in the statement of financial position is comprised of cash held at a major Canadian financial institution. As at September 30, 2022, all the cash on hand was held at a major financial institution. As at September 30, 2021, \$10,092 was held at a major financial institution.

3. Significant Accounting Policies (Continued)

Revenue Recognition

Revenue is recognized to depict the transfer of goods or services in an amount that reflects the consideration to which the entity expects to be entitled 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
5. Recognize revenue when (or as) the entity satisfies a performance obligation

Revenue may be earned over time as the performance obligations are satisfied or at a point in time which is when the entity has earned a right to payment, the customer has possession of the asset and the related significant risks and rewards of ownership, and the customer has accepted the asset or service.

Revenue from services provided to customers for a fixed price is recognized when all the performance obligations in the contracts. In cases when the Company received deposits upon signing the contracts, those amounts are recorded as deferred revenue until such times that the obligations are met, and the revenue can be recognized.

Intangible Assets

Expenditure on research activities is recognised in profit or loss as incurred.

The Company recognizes Intangible Assets as per IAS 38. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

Financial instruments

Classification

On initial recognition, the Company determines the classification of financial instruments based on the following categories:

1. Measured at amortized cost
2. Measured at fair value through profit or loss (FVTPL)
3. Measured at fair value through other comprehensive income (FVOCI)

The classification under IFRS9 is based on the business model under which a financial asset is managed and on its contractual cash flow characteristics. Assets held for the collection of contractual cashflows and for which those cashflows correspond solely to principal repayments and interest payments are measured at amortized cost. Contracts with embedded derivatives where the host is a financial instrument in the scope of the standard will be assessed as a whole for classification.

3. Significant Accounting Policies (Continued)

Financial instruments (continued)

A financial asset is measured at amortized cost if both of the following criteria are met:

1. Held within a business model whose objective is to hold assets to collect contractual cash flows; and
2. Contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments held for trading are classified as FVTPL. For all other equity investments that are not held for trading, the Company may irrevocably elect, on initial recognition, to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Financial liabilities are measured at amortized cost unless they must be measured at FVTPL (such as derivatives), or if the Company has chosen to evaluate them at FVTPL.

Measurement

Initial recognition – A financial asset or financial liability is initially recorded at its fair value, which is typically the transaction price, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. In the event that fair value is determined to be different from the transaction price, and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or is based on a valuation technique that uses only data from observable markets, then the difference between fair value and transaction price is recognized as a gain or loss at the time of initial recognition.

Amortized cost – The amount at which a financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit losses. The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount on initial recognition.

Fair value through profit or loss – Changes in fair value after initial recognition, whether realized or not, are recognized through the statement of loss and comprehensive loss. Income arising in the form of interest, dividends, or similar, is recognized through the statement of loss and comprehensive loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

Fair value through other comprehensive income – Changes in fair value after initial recognition, whether realized or not, are recognized through other comprehensive income. Income arising in the form of interest, dividends, or similar, is recognized through the statement of loss and comprehensive loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Impairment

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

Derecognition

Financial assets – The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset have expired or when contractual rights to the cash flows have been transferred. Gains and losses from the derecognition are recognized in the statement of loss and comprehensive loss.

Financial liabilities – The Company derecognizes a financial liability when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of the derecognized financial liability and the consideration paid or payable, including non-cash assets transferred or liabilities assumed, is recognized in the statement of loss and comprehensive loss.

Loss per common share, basic and diluted

Basic loss per share is calculated by dividing the net loss for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the year.

Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. Share purchase warrants have been excluded from the calculation of diluted loss per share because their effect is anti-dilutive.

Income taxes

Income taxes are comprised of current and deferred tax. Income tax is recognized in the statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in shareholders' equity, in which case the income tax is also recognized directly in shareholders' equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the end of the reporting period, and any adjustments to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using the tax rates and laws that have been enacted or substantively enacted at the statements of financial position dates and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable the assets can be recovered.

Deferred income tax assets and liabilities are presented as non-current. Stock-based compensation and issuance of stock for non-cash consideration.

3. Significant Accounting Policies (continued)

Stock-based compensation and issuance of stock for non-cash consideration

The Company records stock-based compensation related to employee, director and consultant stock options granted using the estimated fair value of the options at the date of grant. The estimated fair value is expensed as employee benefits over the period in which employees unconditionally become entitled to the award. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related services and non-market performance conditions at the vesting date. The corresponding charge is to contributed surplus. Any consideration paid on the exercise of stock options is credited to common shares.

The Company estimates the fair value of stock options granted using the Black-Scholes valuation model. This model requires the Company to make estimates and assumptions including, among other things, estimates regarding the length of time an employee, director or consultant will retain vested stock options before exercising them, the estimated volatility of the Company's common share price and the number of options that will be forfeited prior to vesting. Changes in these estimates and assumptions can materially affect the determination of the fair value of stock-based compensation and consequently, the related amount recognized in the Company's statements of loss and comprehensive loss.

For equity-settled share-based payment transactions, the Company measures the goods and services received, and the corresponding increase in equity, directly, at the fair value of goods and services received, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, it measures their value by reference to the fair value of the equity instrument granted. Transactions measured by reference to the fair value of the equity instrument granted have their fair values re-measured each vesting and reporting date until fully vested.

Impairment of non-financial assets

Impairment of non-financial assets Goodwill is assessed annually for impairment. Property and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment review requires estimates in a variety of areas including the determination of fair value, selling costs, timing and size of forecasted cash flows, long-term growth rates, anticipated gross margin, discount rates, and other valuation variables; the application of these variables in valuation models requires judgment.

Standards issued and effective for the year ended September 30, 2022:

Conceptual Framework

The Company adopted the revised Conceptual Framework for Financial Reporting ("revised conceptual framework"). The revised conceptual framework does not constitute a substantial revision from the previously effective guidance but does provide additional guidance on topics not previously covered such as presentation and disclosure. The adoption of the revised conceptual framework did not have a material impact on the consolidated financial statements.

Definition of a Business

The Company adopted the IASB amendment regarding the definition of a business under IFRS 3 Business Combinations. This amendment narrowed and clarified the definition of a business, as well as permitted a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The adoption of the amendment to IFRS 3 did not have a material impact on the consolidated financial statements.

Nurosene Health Inc.
Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars, unless otherwise stated)
For the Years Ended September 30, 2022, and September 30, 2021

4. Business Acquisition and Goodwill

(a) Acquisition of NetraMark Corp

On October 13, 2021, the Company acquired all of the issued and outstanding securities of NetraMark Corp., a privately held company, for a purchase price of CAD\$13,138,942 paid as follows to shareholders of NetraMark:

- (i) The issuance of 6,148,325 common shares of the Company for a fair value of the acquisition date of \$1.80 per share, the closing price of the Company's shares on that date, for \$11,066,985.
- (ii) \$2,071,957 in cash

The acquisition has been accounted for using the acquisition method in accordance with IFRS 3, Business Combinations on October 13, 2021, whereby the assets acquired, and the liabilities assumed were recorded at their fair values.

The excess of the consideration paid over the fair value of the identifiable assets (liabilities) acquired was recognised as goodwill which primarily provides the Company to provide solutions to the pharmaceutical industry to help address the very low rate of success in getting candidate medicines, that make it into Phase I clinical trials, through to commercialization and approval by the regulatory bodies.

The transaction costs of the acquisition were \$534,203 and are included in Sales, General and Administrative expenses.

From the date of acquisition to September 30, 2022, this acquisition contributed \$113,031 in revenue for the Company.

The following represents the allocation of the purchase price:

Purchase Price Allocated to:	\$
Net tangible assets (liabilities)	(159,685)
Intangible assets – NetraMark technology	3,112,436
Goodwill	10,434,314
Deferred tax liability	(248,123)
Total Consideration Paid	13,138,942

(b) Goodwill

In accordance with the requirements of IAS 36, the CGU with goodwill was tested for impairment as at September 30, 2022. The Company calculated value in use (VIU) using a discounted cash flow method that projects future cash flows over a 5-year period. Revenue and cash flow assumptions were based on a combination of past results and expectations of future growth throughout a business cycle. These cash flows were then discounted using a weighted average cost of capital of 32%, a growth rate of 3%. Every 0.5% change in the discount rate will change the value in use by \$299,000. This test resulted in the goodwill impairment:

Goodwill	\$
Balance, September 30, 2021	-
Additions	10,434,314
Impairment	(4,028,953)
Balance, September 30, 2022	6,405,361

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5. Other Receivables

As at September 30, 2022, the Company holds \$245,181 (2021 – \$347,655) in other receivables comprised of GST/HST receivables. Subsequent to the year-end, GST refund of \$222,020 was collected.

6. Short-Term Investments

On March 11, 2021, the Company purchased a \$40,000 guaranteed investment certificate (“GIC”) to secure its credit cards. The terms of the GIC are for 1 year at a rate of 0.40% per annum. On August 2, 2022, the Company signed up for a GIC for \$5,000 for 1 year at a rate of 1.5% per year.

7. Intangible Assets

During the 12 months ended September 2022, the Company has assessed the commercial feasibility of previously capitalized development costs of the mobile application as intangible assets. Management discontinued development and support for the App during the year ended September 2022. The development costs previously incurred have been capitalized and recognized as an internally developed intangible asset on the basis of IAS 38.

The business acquisition of NetraMark Corp. on October 13, 2021, resulted in additions of \$3,112,436 intangible assets which were amortized using the straight line method over five years.

The intangible asset acquired consist of the proprietary technology owned by NetraMark Corp.

	Capitalized Development Costs \$	Acquired Technology \$	Total \$
Intangible Assets			
Opening Balance, September 2020	-	-	-
Additions	1,582,321	-	1,582,321
Balance, September 30, 2021	1,582,321	-	1,582,321
Additions	152,494	-	152,494
Additions through business combinations	-	3,112,436	3,112,436
Impairment	(1,734,815)	-	(1,734,815)
Amortization	-	(596,905)	(596,905)
Balance, September 30, 2022	-	2,515,531	2,515,531

8. Deferred Revenue

As at September 30, 2022 the Company received \$23,029 as a result of signing contracts with customers. These contracts were signed at the end of June 2022 and the total for these contracts are \$110,958.

9. Shareholders’ Equity

Authorized share capital

The Company is authorized to issue an unlimited number of common shares.

Outstanding share capital

As at September 30, 2022, the Company’s outstanding share capital is entirely composed of common shares.

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9. Shareholders' Equity (continued)

		Number of Shares	Amount \$
Balance, September 30, 2020		20,802,975	1,951,762
Issuance of Common Shares at \$0.40	(1)	1,587,500	635,000
Less share issuance cost	(2)	-	(165,440)
Issuance of Common Shares at \$0.40 for services	(3)	35,000	14,000
Issuance of Common Shares previously unissued	(4)	-	135,000
Issuance of finders' Warrants	(5)	-	(15,879)
Issuance of Common Shares at \$0.81 for services	(6)	493,827	400,000
Issuance of Common Shares at \$0.90	(7)	10,222,221	8,097,729
Issuance of Common Shares at \$0.90 for services	(8)	55,555	50,000
Issuance of finders' Warrants	(9)	-	(379,883)
June exercise of Warrants and Options	(10)	24,000	11,600
June exercise of Warrants	(11)	16,424	6,570
Issuance of Common Shares at \$2.10 for services	(12)	385,714	859,406
September exercise of Warrant and Options	(13)	148,395	83,556
Release from Contributed surplus of Warrant/Option Exercises		-	70,702
Balance, September 30, 2021		33,771,611	11,754,122
Issuance of Common Shares at \$1.80 for NetraMark Purchase	(14)	6,148,325	11,066,985
Issuance of Common Shares at \$1.77 for services	(15)	215,311	381,100
November exercise of Warrants	(16)	10,000	9,000
November exercise of Options	(17)	21,140	74,133
December exercise of Warrants	(18)	116,102	183,458
March exercise of Warrants	(19)	7,500	5,165
Issuance of Common Shares	(20)	1,487,500	472,222
Issuance of Common Shares at \$0.35 for services	(21)	84,531	29,586
Issuance of Common Shares at \$0.44 for services	(22)	132,666	58,373
Issuance of Common Shares at \$0.32 for services	(23)	211,539	67,692
Issuance of Common Shares at \$0.25 for services	(24)	289,877	72,477
Exercise of Restricted Shares Units	(25)	25,000	75,000
Balance, September 30, 2022		42,521,102	24,249,313

- 1) On October 1, 2020, the Company completed a non-brokered private placement through the issuance of 1,587,500 common shares valued at \$0.40 per share for gross proceeds of \$635,000.
- 2) The Company incurred share issuance costs totalling \$165,440 in connection to the October 1, 2020, non-brokered private placement at \$0.40 per share.
- 3) On October 1, 2020, the Company issued 35,000 common shares valued at \$0.40 per share to consultants of the Company for consulting services performed. The shares were valued with reference to the October 1, 2020, private placements.
- 4) On October 1, 2020, common shares of the Company that were paid for but not issued at September 30, 2020, were issued.
- 5) On October 1, 2020, 76,100 Finders' Warrants of the Company were issued with an exercise price of \$0.40 per share expiring October 1, 2022, related to the non-brokered private placement.

9. Shareholders' Equity (continued)

- 6) On June 8, 2021, the Company issued 493,827 common shares valued at \$0.81 per share to consultants of the Company for consulting services performed.
- 7) On June 9, 2021, the Company issued 10,222,221 common shares valued at \$0.90 per share as part of the Company's Initial Public Offering. Gross proceeds of the offering were \$9,200,000 with \$1,102,270 of transaction costs for net proceeds of \$8,097,729. Transaction costs related to the Initial Public Offering consisted largely of legal fees and agent fees.
- 8) On June 9, 2021, the Company issued 55,555 common shares valued at \$0.90 per share for services performed. These shares were valued with reference to the June 9, 2021, Initial Public Offering.
- 9) On June 9, 2021, 606,667 Finders' Warrants of the Company were issued with an exercise price of \$0.90 per share expiring on June 8, 2023.
- 10) During the month of June 2021, 4,000 options and 20,000 warrants were exercised at a price of \$0.90 and \$0.40 respectively, to purchase 24,000 common shares for gross proceeds of \$11,600.
- 11) During the month of July 2021, 16,424 warrants were exercised at a price of \$0.40, to purchase 16,424 common shares for gross proceeds of \$6,570.
- 12) On August 12, 2021, the Company issued 385,714 common shares valued at \$2.10 per share to consultants of the Company for consulting services performed.
- 13) During the month of September 2021, 100,000 options and 48,395 warrants were exercised at a price of \$0.40 and \$0.90 respectively, to purchase 148,395 common shares for gross proceeds of \$83,556.
- 14) On October 13, 2021, the Company acquired NetraMark (Note 4). As part of the consideration paid pursuant to the business acquisition, the Company issued 6,148,325 common shares valued at \$1.80 per share which was the closing price of the Company's stock on the day of issuance.
- 15) On October 14, 2021, the Company issued 215,311 shares valued at \$1.77 per share to consultants of the Company for services performed in relation to the NetraMark acquisition (Note 4).
- 16) During the month of November 2021, 10,000 warrants were exercised at a price of \$0.90 to purchase 10,000 common shares for gross proceeds of \$9,000.
- 17) During the month of November 2021, 51,333 options were cashless exercised for 21,140 shares on their forfeiture at a price of \$1.55.
- 18) During the month of December 2021, 116,102 warrants were exercised at a price of \$0.90 to purchase 116,102 common shares for gross proceeds of \$104,492.
- 19) During the month of March 2022, 7,500 warrants were exercised at a price of \$0.40 to purchase 7,500 common shares for gross proceeds of \$3,000.
- 20) On June 8, 2022, the Company issued 1,487,500 units of common shares valued at \$0.40 per unit through a private placement and 743,750 private placement warrants with an exercise price of \$0.60 per share expiring on June 8, 2024. \$102,683 was reclassified to warrants. The Company incurred \$19,915 of issue costs.

9. Shareholders' Equity (continued)

- 21) On July 29, 2022, the Company issued 84,531 common shares valued at \$0.35 per share to consultants of the Company for consulting services performed using the fair value of services. The shares were valued to the Company's share price on the day of issuance.
- 22) On August 24, 2022, the Company issued 132,666 common shares valued at \$0.44 per share to consultants of the Company for consulting services performed. The shares were valued to the Company's share price on the day of issuance.
- 23) On August 31, 2022, the Company issued 211,539 common shares valued at \$0.32 per share to consultants of the Company for consulting services performed. The shares were valued to the Company's share price on the day of issuance.
- 24) On September 30, 2022, the Company issued 289,877 common shares valued at \$0.25 per share to consultants of the Company for consulting services performed.
- 25) On September 16, 2022, the Company issued 25,000 common shares valued at \$3.00 for exercise of restricted shares units.

Stock options

Under the Company's stock option plan (the "Plan"), the Company's Board of Directors is authorized to grant stock options to directors, senior officers, employees, consultants, consultant company or management company employees of the Company and its subsidiaries not to exceed in the aggregate 15% of the issued and outstanding common shares of the Company from time to time. Stock options granted under the Plan are exercisable over a period not exceeding 10 years from the date granted. Exercise prices may not be less than the market price of the common shares at the time of the grant. An option shall vest in the manner imposed by the Board of Directors as a condition at the grant date.

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9. Shareholders' Equity (continued)

	Number of Options	Weighted Average \$
Balance, September 30, 2020	100,000	0.40
Granted	3,015,000	1.00
Exercised	(104,000)	
Forfeited	(180,000)	
Balance, September 30, 2021	2,831,000	1.20
Granted	3,475,000	0.76
Exercised	(51,333)	
Forfeited	(2,733,667)	
Balance, September 30, 2022	3,521,000	0.65

Grant date	Exercise Price (\$)	Weighted average remaining life (years)	Number of options outstanding	Number of options exercisable
June 08, 2021	0.90	3.66	210,000	210,000
June 09, 2021	0.90	3.74	676,000	370,000
September 6, 2021	1.69	8.94	70,000	70,000
April 13, 2022	0.70	4.54	150,000	18,750
April 22, 2022	0.70	4.56	875,000	109,375
July 13, 2022	0.40	4.79	500,000	-
July 18, 2022	0.52	4.93	200,000	-
July 18, 2022	0.70	4.93	40,000	-
July 20, 2022	0.41	4.81	350,000	-
August 08, 2022	0.40	4.88	100,000	-
August 15, 2022	0.41	4.88	350,000	-
	0.72	4.97	3,521,000	778,125

On June 8, 2021, the Company issued 260,000 options to consultants of the Company. The options have an exercise price of \$0.90 and expire on June 8, 2026. The options vest immediately upon issuance.

On June 9, 2021, the Company issued 1,780,000 options to various consultants and advisors of the Company. The options have an exercise price of \$0.90 and expire on June 9, 2026. The options have various vesting terms ranging from immediately to over three years.

On July 13, 2021, the Company issued 100,000 options to a consultant of the Company. The options have an exercise price of \$1.91 and expire on July 13, 2026. The options have vesting terms 10% immediately on issuance and the remaining 90% will vest evenly on each anniversary date of the next two years, 45% will vest on July 13, 2022, and another 45% on July 13, 2023.

On August 23, 2021, the Company issued 70,000 options to a consultant of the Company. The options have an exercise price of \$1.69 and expire on August 23, 2031. The options vest immediately upon issuance.

On September 6, 2021, the Company issued 70,000 options to a consultant of the Company. The options have an exercise price of \$1.69 and expire on September 6, 2031. The options vest immediately upon issuance.

On October 14, 2021, the Company issued 100,000 options to consultants of the company. The options have an exercise price of \$1.77 and expire on October 14, 2026. The options in two tranches over one year.

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9. Shareholders' Equity (continued)

On November 11, 2021, the Company issued 370,000 options to consultants of the company. The options have an exercise price of \$1.79 and expire on November 11, 2026. The options vest quarterly over a period of two years.

On November 22, 2021, the Company issued 80,000 options to a consultant of the company. The option has an exercise price of \$1.95 and expires on November 22, 2023. The options vest over a period of two years.

On April 13, 2022, the Company issued 150,000 options to a consultant of the Company. The options have an exercise price of \$0.70 and expire on April 13, 2027. The options vest quarterly over a period of two years.

On April 22, 2022, the Company issued 1,165,000 options to various consultants and advisors of the Company. The options have an exercise price of \$0.70 and expire on April 22, 2027. The options vest quarterly over a period of two years.

On July 13, 2022, the Company issued 500,000 options to various consultants and advisors of the Company. The options have an exercise price of \$0.40 and expire on July 13, 2027. The options vest quarterly over a period of two years.

On July 18, 2022, the Company issued 310,000 options to various consultants and advisors of the Company. The options have an exercise price of \$0.70 and \$0.52 expire on July 18, 2027. The options vest quarterly over a period of two years.

On July 20, 2022, the Company issued 350,000 options to a consultant of the Company. The options have an exercise price of \$0.41 and expire on July 20, 2027. The options vest quarterly over a period of two years.

On August 08, 2022, the Company issued 100,000 options to a consultant of the Company. The options have an exercise price of \$0.40 and expire on August 08, 2024. The options vest quarterly over a period of two years.

On August 15, 2022, the Company issued 350,000 options to a consultant of the Company. The options have an exercise price of \$0.41 and expire on August 15, 2027. The options vest quarterly over a period of two years.

The fair value of the Company's stock options was estimated using the Black-Scholes option pricing model using the following assumption:

Volatility	100% - 116%
Risk-free interest rate	1.45% - 3.30%
Expected life (years)	2-5 years
Dividend yield	Nil
Forfeiture	Nil
Share price	\$0.35 - \$1.80

The compensation expense and charge to contributed surplus relating to the vesting of stock options for the year ended September 30, 2022, was \$928,942 (2021 – \$771,615).

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9. Shareholders' Equity (continued)

Restricted Share Units

The Company issued 900,000 restricted share units to consultants of the Company as at September 30, 2022 (2021 – 150,000).

The compensation expense and charge to contributed surplus relating to the vesting of Restricted Share Units for the year ended September 30, 2022, was \$317,747 (2021 – \$437,547).

Grant date	Number of units issued	Number of units outstanding	Number of units exercisable	Number of units exercised	Number of units forfeited
June 17, 2021	50,000	-	-	25,000	25,000
June 25, 2021	100,000	-	-	100,000	
November 22, 2021	50,000	50,000	5,000	-	
April 13, 2022	850,000	850,000	106,250	-	
	1,050,000	900,000	111,250	125,000	25,000

Share Purchase Warrants

Each warrant entitles the holder to purchase one common share at a set price, at the option of the holder for a set period. The following table sets out information regarding warrants issued by the Company:

	Number of warrants	Weighted average exercise price
		\$
Balance, September 30, 2021	707,636	0.79
Warrants Exercised during the year	(133,602)	0.87
Issuance of private placement warrants (a)	743,750	0.60
Warrants expired during the year	(65,764)	0.07
Balance, September 30, 2022	1,252,020	0.69

During the year ended September 30, 2022, the Company issued:

- a. 743,750 private placement warrants with an exercise price of \$0.60 per share expiring on June 8, 2024.

The fair value of the Company's private placement' warrants was estimated using the Black-Scholes option pricing model using the following assumption:

Volatility	100% - 102%
Risk-free interest rate	3.1%
Expected life (years)	2 years
Dividend yield	Nil
Forfeiture	Nil
Share price	\$0.36

As at September 30, 2022, 1,252,020 warrants were outstanding (2021 – 707,636).

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10. Sales, General and Administrative

Item	Year Ended	
	September 30, 2022	September 30, 2021
	\$	\$
Advertising and Promotion	1,177,930	2,129,322
Consulting fees	2,334,092	1,241,793
Professional fees	424,710	179,016
Office and miscellaneous	725,528	189,717
Payroll	1,539,211	97,380
Total	6,201,471	3,837,227

Sales, general and administrative expenses consisted primarily of advertising and promotion expenditure, consulting fees and payroll expenses during the year ended September 30, 2022. The company issued 933,924 common shares for a total compensation of \$609,228 for services, primarily composed of consulting fees and advertising and promotion.

11. Related Party Transactions

Key management includes directors and officers of the Company.

A total of 585,949 common shares were issued to key management for a total compensation of \$169,748 during the year ended September 30, 2022 (2021: \$nil)

A total of \$1,062,262 in total cash compensation was issued to key management during the year ended September 30, 2022 (2021 – \$439,475).

12. Income Tax

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2021 - 26.5%) to the effective tax rate is as follows:

	September 30, 2022	September 30, 2021
	\$	\$
Loss before income taxes	(13,695,802)	(5,084,341)
Combined federal and provincial tax rate	26.5%	26.5%
Expected income tax (recovery)	(3,629,388)	(1,347,350)
Tax Effects of:		
Goodwill Impairment	1,068,906	-
Share-based compensation	330,373	321,243
Share issuance costs booked directly to equity	-	(335,943)
True Up	(19,049)	(34,581)
Taxable benefit not recognized	1,877,620	1,396,632
Others	123,415	-
Income tax expense (recovery)	(248,123)	-

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12. Income Tax (continued)

Deferred Tax

The following table summarizes the components of deferred tax:

	2022 \$	2021 \$
Deferred Tax Assets		
Beginning Balance	-	-
Non-capital losses carried forward	568,751	-
SR&ED Pool from T661	97,864	-
Deferred Tax Liabilities		
Intangible Assets	(666,616)	-
Net deferred tax assets	-	-

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Movement in net deferred tax liabilities:

	2022 \$	2021 \$
Beginning Balance	-	-
Recognized in profit/loss	248,123	-
Recognized in goodwill	(248,123)	-
Balance, September 30, 2022	-	-

Unrecognized deferred tax assets:

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2022 \$	2021 \$
Property, plant and equipment	31,787	-
SR&ED Pool from T661	371,744	-
Investment tax credits	64,891	-
Non-capital loss carry forward	11,125,653	4,435,694
Share issuance costs and other	947,849	1,127,076
Total	12,542,924	5,562,770

12. Income Tax (continued)

The Canadian non-capital loss carry forwards expire as noted in the table below.

Share issue and financing costs will be fully amortized in 2026. Investment tax credit expire from 2041-2042. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses, for which the benefit has not been recognized, expire as follows:

YEAR	\$
2040	529,984
2041	2,937,378
2042	7,659,201
	11,126,563

13. Capital Management

The Company's objective in managing capital is to ensure a sufficient liquidity position to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company defines capital as net equity and debt, comprised of issued common shares, contributed surplus and accumulated deficit. The Company seeks to ensure that it has sufficient cash resources to maintain its ongoing operations and finance its research and development activities, corporate and administrative expenses, working capital and overall capital expenditures. Since inception, the Company has primarily financed its liquidity needs through offerings of common shares.

There have been no changes to the Company's objectives and what it manages as capital since inception. The Company is not subject to externally imposed capital requirements.

14. Financial Instruments and Risk Management

Financial Instruments

The Company has classified its cash as fair value through profit and loss ("FVTPL"). Other receivables have been classified as loans and receivables. Accounts payable and accrued liabilities have been classified as other financial liabilities.

The carrying values of cash, other receivables and accounts payable and accrued liabilities approximate their fair values due to their short periods to maturity.

Fair Value Hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The hierarchy is summarized as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2 – inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data

Level 3 – inputs for assets and liabilities not based upon observable market data

14. Financial Instruments and Risk Management (continued)

Financial Risk Factors

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and accounts receivable. The Company's cash is held at a major financial institution and lawyer's trust accounts. The Company's receivables are due from the CRA for HST/GST refunds. The Company regularly monitors its credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss.

(b) Liquidity risk

The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations. All of the Company's financial liabilities are due within one year.

15. Subsequent Events

- On October 13, 2022, the Company completed a non-brokered private placement through the issuance of 2,910,000 common shares valued at \$0.25 per share and one common share purchase warrants for gross proceeds of \$727,500.
- On October 13, 2022, the Company issued 3,047,900 warrants certificates at an exercise price of \$0.40 with expiry on October 31, 2025.
- On October 30, 2022, the Company issued 211,960 common shares for a total compensation of \$72,067 for services, primarily composed of consulting fees.
- On October 30, 2022, the Company issued 750,000 restricted share units with expiry on October 31, 2027. The restricted share units vest quarterly over a period of two years.
- On November 30, 2022, the Company issued 399,471 common shares for a total compensation of \$71,905 for services, primarily composed of consulting fees.
- On October 31, 2022, the Company completed a non-brokered private placement through the issuance of 299,000 common shares valued at \$0.25 per share and one common share purchase warrants for gross proceeds of \$74,750.
- On October 31, 2022, the Company issued 300,000 options at an exercise price of \$0.35 with expiry on October 31, 2027. The options vest quarterly over a period of two years.
- On October 31, 2022 the Company issued 1,260,000 warrants at an exercise price of \$0.35. The warrants will expire on October 31, 2025.
- On October 31, the Company issued 500,000 common shares as bonus compensation at fair value of \$160,000.
- On November 17, 2022, the company issued 90,000 common shares for the total compensation of \$25,200 for services, primarily composed of consulting fees.
- On November 22, 2022, the Company issued 200,000 options at an exercise price of \$0.35 with expiry on November 22, 2024. The options vest immediately.
- On December 31, 2022, the Company issued 422,094 common shares for a total compensation of \$71,756 for services, primarily composed of consulting fees.
- On October 26, 2022, GST/HST notice of assessment followed by a refund of \$222,020 was issued to the Company.
- On January 11, 2023, GST/HST returns were filed for a total expected refund of \$69,386.