SURENANO SCIENCE LTD.

Audited Financial Statements

For the year ended March 31, 2023

(Expressed in Canadian Dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of SureNano Science Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SureNano Science Ltd. (the "Company"), which comprise the statement of financial position as at March 31, 2023 and the statement of operations and comprehensive loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2023, and its financial performance and its 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 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

Without qualifying our opinion, we draw attention to Note 1 to the financial statements which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Key Audit Matters

Key audit matters are those matters, in our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no key audit matters to communicate in our report.

Other Matter

The financial statements of the Company for the year ended March 31, 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on July 25, 2022.

Information other than the Consolidated Financial Statements and the Auditor's Report thereon

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in Management's Discussion and Analysis report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis report 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 in this auditor's report. We have nothing to report in this regard.

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

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the 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.

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

Buckley Dodds

Vancouver, British Columbia
July 6, 2023

Buckley Dodds CPA
Chartered Professional Accountants

SURENANO SCIENCE LTD.
Statements of financial position
As at
(Expressed in Canadian dollars)

	March 31, 2023 $	March 31, 2022 $
ASSETS		
Current assets		
Cash	**276,991**	667,092
Amounts receivable	**21,321**	16,851
Prepaid expenses	**11,168**	2,500
Total current assets	**309,480**	686,443
Non-current assets		
Equipment (Note 3)	**8,125**	–
Total assets	**317,605**	686,443
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**6,224**	20,711
Due to related parties (Note 5)	**51,673**	15,784
Total current liabilities	**57,897**	36,495
Shareholders' equity		
Share capital	**1,439,845**	1,439,845
Share-based payment reserves (Note 8)	**405,056**	411,277
Deficit	**(1,585,193)**	(1,201,174)
Total shareholders' equity	**259,708**	649,948
Total liabilities and shareholders' equity	**317,605**	686,443

Nature of operations and continuance of business (Note 1)
Commitments (Note 9)

Approved and authorized for issuance on behalf of the Board of Directors on July 6, 2023:

/s/ "Charles MaLette"	*/s/ "James Bordian"*
Charles MaLette, Director	James Bordian, Director

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

SURENANO SCIENCE LTD.
Statements of operations and comprehensive loss
For the years ended
(Expressed in Canadian dollars)

	March 31, 2023 $	March 31, 2022 $
Revenue	**–**	18,000
Cost of goods sold	**–**	(1,487)
Gross profit	**–**	16,513
Expenses		
Consulting fees (Note 5)	**118,117**	110,132
License fee (Note 4 and 5)	**10,000**	125,000
Management fees (Note 5)	**97,500**	114,750
Office and miscellaneous (Note 5)	**52,296**	150,385
Professional fees (Note 5)	**78,791**	115,855
Research and development (Note 5 and 9)	**38,944**	102,361
Royalties (Notes 4 and 5)	**–**	4,500
Share-based compensation (recovery) (Notes 5 and 8)	**(6,221)**	411,277
Total expenses	**389,427**	1,134,260
Net loss before other income and taxes	**(389,427)**	(1,117,747)
Other income and taxes		
Gain on sale of equipment (Note 3)	**5,408**	–
Net loss before taxes	**(384,019)**	(1,117,747)
Income tax expense	**–**	(915)
Net loss and comprehensive loss for the year	**(384,019)**	(1,118,662)
Loss per share, basic and diluted	**(0.02)**	(0.06)
Weighted average shares outstanding	**21,457,800**	20,239,449

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

SURENANO SCIENCE LTD.
Statement of changes in equity
For the years ended
(Expressed in Canadian dollars)

	Share capital		Special	Share-based payment		Total shareholders'
	Number of shares	Amount $	warrants $	reserves $	Deficit $	equity $
Balance, March 31, 2021	19,700,100	1,032,000	–	–	(82,512)	949,488
Special warrants issued for cash	–	–	439,425	–	–	439,425
Special warrants issuance costs	–	–	(31,580)	–	–	(31,580)
Special warrants converted to common shares	1,757,700	407,845	(407,845)	–	–	–
Share-based compensation	–	–	–	411,277	–	411,277
Net loss for the year	–	–	–	–	(1,118,662)	(1,118,662)
Balance, March 31, 2022	21,457,800	1,439,845	–	411,277	(1,201,174)	649,948
Share-based compensation recovery	–	–	–	(6,221)	–	(6,221)
Net loss for the year	–	–	–	–	(384,019)	(384,019)
Balance, March 31, 2023	21,457,800	1,439,845	–	405,056	(1,585,193)	259,708

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

SURENANO SCIENCE LTD.

Statements of cash flows
For the years ended
(Expressed in Canadian dollars)

	March 31, 2023 $	March 31, 2022 $
Operating activities		
Net loss	**(384,019)**	(1,118,662)
Items not involving cash:		
Depreciation	**3,750**	–
Gain on sale of equipment	**(5,408)**	–
Share-based compensation (recovery)	**(6,221)**	411,277
Changes in non-cash operating working capital:		
Amounts receivable	**(4,470)**	20,949
Prepaid expenses	**(8,668)**	(2,500)
Accounts payable and accrued liabilities	**(14,487)**	3,388
Due to related parties	**35,889**	15,784
Net cash provided by (used in) operating activities	**(383,634)**	(669,764)
Investing activities		
Purchase of equipment	**(20,000)**	–
Proceeds from sale of equipment	**13,533**	–
Net cash provided by (used in) for investing activities	**(6,467)**	–
Financing activities		
Proceeds from private placements	**–**	439,425
Share issuance costs	**–**	(31,580)
Net cash provided by (used in) financing activities	**–**	407,845
Change in cash	**(390,101)**	(261,919)
Cash, beginning of year	**667,092**	929,011
Cash, end of year	**276,991**	667,092

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

1. Nature of Operations and Continuance of Business

SureNano Science Ltd. (the "Company") was incorporated under the Business Corporations Act in British Columbia on January 14, 2021. The principal business of the Company is the sale and distribution of the SureNano™ surfactant, which is a ready-to-mix food grade compound that provides the base for high performance nano-emulsions to create incredibly homogeneous and stable products while maximizing bioavailability, clarity, and taste. The Company has exclusive licenses to distribute the SureNano™ surfactant within Canada, the State of Oklahoma, USA, and the State of Colorado, USA (Note 4). The Company's shares are listed on the Canadian Securities Exchange ("CSE") under the symbol "SURE" and are trading on the OTCQB Venture Market ("OTCQB") under the stock symbol "SURNF". The Company's head office is located at 350 – 1650 West 2nd Avenue, Vancouver, British Columbia.

These financial statements have been prepared on a going concern basis which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. As at March 31, 2023, the Company has negative cash flow from operations, and has an accumulated deficit of $1,585,193. The Company expects to incur further losses in the development of its business. The Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. These factors indicate the existence of a material uncertainty that may cast doubt on the Company's ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. These adjustments could be material.

2. Significant Accounting Policies

(a) Statement of Compliance and Basis of Presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is the Company's functional currency.

These financial statements include the accounts of the Company, including its economic interest in a joint operation. As at March 31, 2023, the Company has a 50% interest in a joint operation to develop and market a new product under development, the SureNano™ powder nanoemulsion (Note 9(c)).

(b) Use of Estimates and Judgments

The preparation of these financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include share-based compensation, the recovery of amounts receivable, useful lives and carrying values of equipment, and unrecognized deferred income tax assets. Actual results could differ from those estimates.

Judgments made by management include the assessment of the classification of joint arrangements, and the factors used to determine the assessment of whether the going concern assumption is appropriate.

2. Significant Accounting Policies (continued)

(b) Use of Estimates and Judgments (continued)

The Company has equal joint control in a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement on a proportionate basis. The arrangement is therefore recognized as a joint operation. Neither of the parties involved have unilateral control of the joint operation. The Company accounts for its 50% interest in joint operations by recognizing separately its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations. The Company records 50% of all operational activity in its financials including 50% of all assets and liabilities. This assessment is to be performed on a continuous basis.

The assessment of the going concern assumption requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

(c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents. As at March 31, 2023, and 2022, the Company has no cash equivalents.

(d) Financial Instruments

The Company's financial instruments consist of cash, amounts receivable, accounts payable, and due to related parties.

The Company follows the requirements of IFRS 9, *Financial Instruments* ("IFRS 9"). IFRS 9 utilizes a model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model.

(i) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI - equity investment; or at fair value through profit and loss ("FVTPL"). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial 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. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. Significant Accounting Policies (continued)

(d) Financial Instruments (continued)

(i) Classification and subsequent measurement (continued)

Financial assets (continued)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Subsequent measurement and gains and losses

- Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the statement of operations and comprehensive loss.
- Financial assets at amortized cost: These assets are subsequently measured at amortized 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 the statement of operations and comprehensive loss. Any gain or loss on derecognition is recognized in the statement of operations and comprehensive loss.
- Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of operations and comprehensive loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the statement of operations and comprehensive loss.
- Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of operations and comprehensive loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to the statement of operations and comprehensive loss.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of operations and comprehensive loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of operations and comprehensive loss. Any gain or loss on derecognition is also recognized in the statement of operations and comprehensive loss.

2. Significant Accounting Policies (continued)

(d) Financial Instruments (continued)

(ii) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company enters into transactions whereby it transfers assets recognized in its consolidated statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the statement of operations and comprehensive loss.

(iii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iv) Impairment

Financial assets and contract assets

The Company recognizes loss allowances for expected credit losses (“ECL”) on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets (as defined in IFRS 15).

The Company measures loss allowances on amounts receivable at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment and including forward-looking information. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Financial assets and contract assets (continued)

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

2. Significant Accounting Policies (continued)

(d) Financial Instruments (continued)

(iv) Impairment (continued)

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the entity expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise; or
- it is probable that the borrower will enter bankruptcy or other financial reorganization.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

2. Significant Accounting Policies (continued)

(d) Financial Instruments (continued)

(iv) Impairment (continued)

Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets which are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method, less any impairment.

Subsequent to initial recognition, financial liabilities are measured at amortized cost, unless designated as fair value through profit or loss.

Impairment of Financial Assets

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased.

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

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

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

(e) Inventory

Inventory is stated at the lower of cost or net realizable value. Appropriate consideration is given to obsolescence, excessive levels, deterioration, and other factors in evaluating net realizable value. Inventory has historically consisted of extraction SureNano™ surfactant for resale. As at March 31, 2023 and 2022, the Company had no inventory.

(f) Equipment

Equipment consists of processing machines, which are recorded at cost. The Company depreciates the cost of processing machines over their estimated useful life of 4 years using the straight-line basis.

2. Significant Accounting Policies (continued)

(g) Share Capital

Common shares and special warrants are classified as equity. Transaction costs directly attributable to the issue of common shares and special warrants are recognized as a deduction from equity as share issue costs, net of any tax effects. Common shares issued for consideration other than cash are valued based on their fair value at the date the shares are issued.

Share issue costs and other legal fees related to and incurred in advance of share subscriptions are recorded as deferred financing costs. Share issue costs related to uncompleted share subscriptions are charged to profit or loss.

(h) Revenue

The Company generates revenue from the sale of SureNano^{TM} surfactant. The time between invoicing and when payment is due is not significant and none of the Company's contracts contain a significant financing component. The Company follows IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), to recognize its revenue. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15 the Company's accounting policy for revenue recognition is as follows: i) identify the contract with the customer; ii) identify the performance obligation(s) in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligation(s); and (v) recognize revenue when (or as) performance obligation(s) are satisfied.

For product sales, revenue is recognized immediately upon providing the customer with the product. Revenue is measured based on the price specified in the Company's invoice provided to the customer. The Company does not have any multiple-element revenue arrangements. Revenue is presented net of discounts and sales and other related taxes.

(i) Foreign Currency Translation

The Company's functional currency and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the statement of operations and comprehensive loss.

(j) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as share-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting 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 service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting 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 equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

2. Significant Accounting Policies (continued)

(k) Share-based Payments (continued)

All equity-settled share-based payments are reflected in share-based payment reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

(l) Joint Arrangements

The Company applies IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be either joint ventures or joint operations.

Joint operations are accounted for by recognizing separately the Company's share of assets, liabilities, revenues and expenses in accordance with its proportionate interest in the joint operations and its contractually conferred rights and obligations.

(m) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(n) Loss Per Share

Basic loss per common share is computed by dividing their respective net loss by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise, or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the income per share. The dilutive effect of convertible securities is reflected in the diluted loss per share by application of the "if converted" method. The dilutive effect of outstanding incentive stock options and their equivalents is reflected in the diluted loss per share by application of the treasury stock method.

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(o) Comprehensive Loss

Comprehensive loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of operations.

(p) Recent Accounting Pronouncements

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

3. Equipment

	Nano emulsion equipment $
Cost:	
Balance, March 31, 2022	–
Additions (Note 5)	20,000
Disposal	(10,000)
Balance, March 31, 2023	10,000
Accumulated depreciation:	
Balance, March 31, 2022	–
Depreciation	3,750
Disposal	(1,875)
Balance, March 31, 2023	1,875
Carrying amounts:	
Balance, March 31, 2022	–
Balance, March 31, 2023	8,125

During the year ended March 31, 2023, the Company sold nano emulsion equipment with a net book value of $8,125 in consideration for $13,533, resulting in a gain on sale of equipment of $5,408.

4. Licensing Agreements

(a) On February 19, 2021, the Company entered into a licensing agreement (the "Licensing Agreement") with 1150641 B.C. Ltd. ("1150641"), a company controlled by an individual who was appointed as a Director of the Company subsequent to entering into the Licensing Agreement, whereby the Company was granted an exclusive license and right to produce, distribute, and enter into sub-licenses or agreements within Canada with respect to the SureNano™ surfactant (the "Product"), which is owned by 1150641. The Company was also granted the first right of refusal over licenses and rights to the Product in Europe over the life of the Licensing Agreement. The Licensing Agreement is for an initial term of 10 years, with an option to renew for an additional 10 years upon the Company providing written notice to 1150641 prior to the expiration of the initial term.

4. Licensing Agreements (continued)

In consideration for the exclusive license and rights, the Company agreed to pay the following:

(a) $50,000 within 3 business days of signing the Licensing Agreement (paid);
(b) $50,000 on March 31, 2021 (paid);
(c) $50,000 on June 30, 2021 (paid); and
(d) $50,000 on September 30, 2021 (paid).

The Company also agreed to pay an on-going royalty calculated as 25% of net sales, which are payable within 30 days of the end of each fiscal quarter. In the event any royalty is not paid when due, interest on such unpaid amount will be payable at a rate of 8% per annum.

(b) On June 10, 2021, the Company entered into a Licensing Agreement (the "Colorado Licensing Agreement") with 1150641, a company controlled by a Director of the Company, whereby the Company was granted an exclusive license and right to produce, distribute, and enter into sub-licenses or agreements within the state of Colorado, USA, with respect to the Product, which is owned by 1150641. The Colorado Licensing Agreement is for an initial term of 10 years, with an option to renew for an additional 10 years upon the Company providing written notice to 1150641 prior to the expiration of the initial term. In consideration for the rights and licenses, the Company paid $25,000 and agreed to pay an on-going royalty calculated as 25% of net sales, which is payable within 30 days of the end of each fiscal quarter. In the event any royalty is not paid when due, interest on such unpaid amount will be payable at a rate of 8% per annum.

(c) On June 20, 2022, the Company entered into a Licensing Agreement (the "Oklahoma Licensing Agreement") with 1150641, a company controlled by a Director of the Company, whereby the Company was granted an exclusive license and right to produce, distribute, and enter into sublicenses or agreements within the state of Oklahoma, USA, with respect to current and future products developed by 1150641. The Oklahoma Licensing Agreement is for an initial term of 10 years, with an option to renew for an additional 10 years upon the Company providing written notice to 1150641 prior to the expiration of the initial term. In consideration for the rights and licenses, the Company paid $10,000 and agreed to pay an ongoing royalty calculated as 20% of net sales, which is payable within 30 days of the end of each fiscal quarter. In the event any royalty is not paid when due, interest on such unpaid amount will be payable at a rate of 8% per annum.

During the year ended March 31, 2023, the Company recognized royalty expense of $nil (2022 – $4,500) pursuant to the above licensing agreements.

5. Related Party Transactions

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that its key management personnel are the members of the Company's current and former Board of Directors and its executive officers.

(a) During the year ended March 31, 2023, the Company incurred management fees of $90,000 (2022 – $67,500) to the Chief Executive Officer ("CEO") of the Company. As at March 31, 2023, the Company owed $36,567 (2022 – $7,875) to the CEO. The amount is non-interest bearing, unsecured and due on demand.

(b) During the year ended March 31, 2023, the Company incurred management fees of $7,500 (2022 – $47,250) to the Chief Financial Officer ("CFO") of the Company.

(c) During the year ended March 31, 2023, the Company incurred royalties of $nil (2022 – $4,500) and license fees of $10,000 (2022 – $125,000) to a company controlled by a former Director of the Company. As at March 31, 2023, the Company owed $nil (2022 – $4,710) to a company controlled by a former Director of the Company. The amount is non-interest bearing, unsecured and due on demand.

5. Related Party Transactions (continued)

(d) During the year ended March 31, 2023, the Company incurred professional fees of $15,000 (2022 - $nil) and consulting fees of $72,000 (2022 – $49,000) to a company controlled by the son of the CFO of the Company. As at March 31, 2023, the Company owed $15,106 (2022 – $3,199) to the son of the CFO of the Company. The amount is non-interest bearing, unsecured and due on demand.

(e) During the year ended March 31, 2023, the Company purchased processing equipment for $20,000 (2022 - $nil) and recognized a recovery of office expenses of $49,500 (2022 - $nil), which has been netted against office and miscellaneous, from a company with common directors and officers of the Company.

(f) During the year ended March 31, 2023, the Company incurred research and development expenses of $30,000 in connection with a joint venture agreement with a company controlled by a former Director of the Company (Note 9(c)).

(g) During the year ended March 31, 2023, the Company incurred share-based compensation of $nil (2022 – $302,863) to officers and directors of the Company.

6. Share Capital

Authorized: Unlimited number of common shares without par value.

There were no common share issuances during the year ended March 31, 2023.

The Company had the following common share transactions during the year ended March 31, 2022:

On December 9, 2021, the Company issued 1,757,700 common shares upon the conversion of special warrants (Note 7).

7. Special Warrants

On May 19, 2021, the Company completed a private placement of 1,757,700 non-transferable special warrants at $0.25 per special warrant for gross proceeds of $439,425. Each special warrant entitled subscribers to acquire, without payment of any consideration in addition to that already paid, one common share of the Company. In connection with the private placement, the Company paid a finder's fee of $27,350 and incurred other issuance costs of $4,230. On December 9, 2021, the Company converted 1,757,700 special warrants into 1,757,700 common shares of the Company (Note 6).

(Expressed in Canadian dollars)

8. Stock Options

On June 16, 2021, the Board of Directors of the Company adopted the Company's Stock Option Plan (the "Plan"). The Plan is administered by the Board of Directors. Stock options granted under the Plan have a maximum term of 10 years, and vest at the discretion of the Board of Directors. The aggregate number of shares of the Company's common stock available for issuance under the Plan is 10% of the Company's issued and outstanding shares on the date on which a stock option is granted.

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

	Number of stock options	Weighted average exercise price $
Balance March 31, 2021		
Granted	2,200,000	0.25
Balance, March 31, 2022	2,200,000	0.25
Expired	(200,000)	0.30
Cancelled	(500,000)	0.25
Balance, March 31, 2023	1,500,000	0.25
Exercisable, March 31, 2023	1,500,000	0.25

Additional information regarding stock options outstanding and exercisable as at March 31, 2023, is as follows:

Number of stock options outstanding	Number of stock options exercisable	Exercise price $	Weighted average remaining contractual life (years)	Expiry date
1,500,000	1,500,000	0.25	1.21	June 16, 2024
1,500,000	1,500,000			

Share-based compensation expense is determined using the Black-Scholes option pricing model. During the year ended March 31, 2023, the Company recognized a recovery of share-based compensation expense of $6,221 (2022 – share-based compensation expense of $411,277) in share-based payment reserves, of which $nil (2022 – $302,863) pertains to directors and officers of the Company. The weighted average fair value of options granted or vested during the year ended March 31, 2023, was $0.01 (2022 – $0.19) per share. Weighted average assumptions used in calculating the fair value of share-based compensation expense are as follows:

	March 31, 2023	March 31, 2022
Risk-free interest rate	3.37%	0.60%
Expected life (in years)	0.46	2.83
Expected volatility	88%	144%

9. Commitments

(a) On June 10, 2021, the Company entered into a Collaborative Research Agreement with 1150641, a company controlled by a former Director of the Company, whereby the Company and 1150641 will participate in a collaborative research project regarding the use of surfactants in cannabis oil and the products resulting therefrom and does not include the development of new surfactant formulae. Pursuant to the agreement, the Company agreed to pay and contribute half of the amounts required to pay for invoices of consultants in carrying out the research project to a maximum of $100,000 during every six months of the term of the agreement. In addition, the Company was also responsible for covering half of the $34,464 already paid by 1150641 (paid). The initial term of the agreement was 1 year and was extended by mutual agreement. The agreement may be terminated with 90 days prior written notice by either party.

(b) On January 4, 2022, the Company entered into an agreement with a marketing firm to provide media and marketing services for a term of 1 year, whereby the marketing firm will receive monthly compensation of $6,500. In addition, the Company granted the marketing firm 200,000 stock options, which were subject to vesting terms and may be exercised at a price of $0.30 per common share, expiring on February 15, 2023 (Note 8).

(c) On September 28, 2022, the Company entered into a joint arrangement with 1150641, a company controlled by a former Director of the Company. The Company and 1150641 agree to make contributions to a common fund for the purpose of developing and marketing worldwide a new product under development by 1150641, the SureNano™ powder nanoemulsion (the "Business Interest") and sharing equally in the profits thereof. The parties have rights to the assets, and obligations for the liabilities, relating to the joint arrangement on a proportionate basis. As a result, the joint arrangement has been recognized as a joint operation. Neither of the parties involved have unilateral control of the joint operation. The Company accounts for its 50% interest in the joint operations by recognizing separately its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations. The Company records 50% of all operational activity in its financials including 50% of all assets and liabilities. As at March 31, 2023, the joint operations did not have any assets or liabilities. During the year ended March 31, 2023, the Company recognized research and development expense of $30,000 pursuant to the joint operation.

10. Capital Management

The Company's objectives when managing capital are to raise the necessary equity financing to fund its projects and to manage the equity funds raised which best optimizes its programs and the interests of its equity shareholders at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may raise additional equity funds. The Company is not subject to externally imposed capital requirements. There have been no changes to the Company's capital management during the year.

11. Fair Value Measurements and Risk Management

(a) Fair Values

The Company classified the fair value of the financial instruments according to the following fair value hierarchy based on the amount of observable inputs used to value the instruments:

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

The Company has recorded its cash at fair value using level 1 inputs. The fair values of the Company's other financial instruments, which include amounts receivable, accounts payable, and due to related parties approximate their carrying values due to the relatively short-term maturity of these instruments. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(b) Credit Risk

Credit risk is the risk of a loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including accounts receivable. Amounts receivable consists of government sales tax recoverable and trade receivables from customers. Of the Company's trade receivables outstanding as at March 31, 2023, 100% (2022 – nil%) is held with one (2022 – nil) customer of the Company. The carrying amount of these financial assets represents the maximum credit exposure.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company manages liquidity risk by maintaining sufficient cash balances and adjusting its operating budget and expenditure. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term and other specific obligations.

(d) Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The exposure to interest rates for the Company is considered minimal. The Company has no interest-bearing borrowings.

(ii) Foreign Exchange Rate Risk and Interest Rate Risk

The Company is not currently exposed to foreign exchange rate risk or interest rate risk.

(iii) Price Risk

The Company is not exposed to significant price risk.

(Expressed in Canadian dollars)

11. Fair Value Measurements and Risk Management (continued)

(e) Economic Dependence Risk

Economic dependence risk is the risk of reliance upon a select number of customers which significantly impact the financial performance of the Company. During the year ended March 31, 2023, the Company recorded sales from nil (2022 – one) customer of the Company representing nil% (2022 – 100%) of total revenue.

12. Income Taxes

The following table reconciles the expected income tax recovery at the Canadian statutory income tax rates to the amounts recognized in the statement of operations and comprehensive loss for the years ended March 31, 2023, and 2022:

	2023 $	2022 $
Canadian statutory income tax rate	27%	27%
Income tax recovery at statutory rate	(104,000)	(302,000)
Tax effect of:		
Change in income tax rates, and other items	(1,000)	(15,185)
Permanent difference	(2,000)	111,000
Share issuance costs	-	(9,000)
Change in unrecognized deferred income tax assets	107,000	216,100
Income tax provision	-	915

The significant components of deferred income tax assets and liabilities are as follows:

	2023 $	2022 $
Deferred income tax assets:		
Licence fees	56,000	60,000
Share issuance costs	5,000	7,000
Equipment	1,000	-
Non-capital losses available for future periods	271,000	159,000
	333,000	226,000
Unrecognized deferred income tax assets	(333,000)	(226,000)
Net deferred income tax asset	-	-

The Company has the following income tax assets available for future use:

	March 31, 2023	Expiry date range	March 31, 2022
Licences	$ 209,000	No expiry	$ 223,000
Share issuance costs	$ 19,000	2023 - 2026	$ 25,000
Equipment	$ 2,000	No expiry	$ -
Non-capital losses available for future periods	$ 1,005,000	2041 - 2043	$ 587,000

Tax attributes are subject to review and potential adjustment by tax authorities.