MyndTec Inc.

Audited Consolidated Financial Statements
For the Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars, unless otherwise noted)

Independent Auditor's Report

To the Shareholders of MyndTec Inc.:

Opinion

We have audited the consolidated financial statements of MyndTec Inc. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and December 31, 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2022 and, as of that date, the Company had a working capital deficiency. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matters to be communicated in our report.

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Health Technology Exchange (HTE) Loan

Key Audit Matter Description

As described in Note 2 and 11 to the consolidated financial statements, the Company has a loan with the HTE that is unsecured, bears interest and is repayable based on a percentage of certain preceding year gross revenues. The Company values the HTE loan at fair value at each reporting period based on the estimated future cash flows of the loan using a discount rate and revenue growth rates. As a result, the loan is highly dependent on management estimates. We considered this a key audit matter due to the high degree of auditor judgment, subjectivity and effort required in performing procedures and evaluating the audit evidence related to management's estimates.

Audit Response

We responded to this matter by performing procedures in relation to the valuation of the HTE loan. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained the updated loan agreement between the Company and HTE and verified the terms of the agreement.
- Obtained management's revenue forecast and evaluated all inputs and revenue growth assumptions for reasonability by considering the following: (i) the current and past performance of the company, (ii) the consistency with forecasts per industry data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit.
- Performed a sensitivity analysis of the inputs.
- Assessed reasonability of discount rate used.
- Recalculated the payment schedule and fair value of the loan based on the revenue assumption, to ensure mathematical accuracy of the fair value calculation.
- Assessed the appropriateness of the disclosures relating to the assumptions used in the loan assessment in the notes to the consolidated financial statements.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Blair Michael Mabee.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

May 1, 2023 — Licensed Public Accountants

MyndTec Inc.
Consolidated Statements of Financial Position
As at December 31, 2022 and December 31, 2021

	December 31 2022	December 31 2021
Assets		
Current assets		
Cash and short-term securities	**$ 68,621**	$ 377,065
Cash held in escrow (note 14)	**-**	2,359,442
Trade and other receivables (notes 4 and 13)	**32,238**	305,638
Inventories (note 5)	**255,559**	300,732
Prepaid expenses and deposits	**46,127**	139,139
	402,545	3,482,016
Non-current assets		
Right-of-use asset (note 6)	**36,974**	60,326
Equipment (note 7)	**203,050**	281,795
Total assets	**$ 642,569**	$ 3,824,137
Liabilities		
Current liabilities		
Trade and other payables (notes 8 and 13)	**$ 765,719**	$ 1,553,630
Subscription receipts (note 14)	**-**	2,359,442
Deferred revenue (notes 9 and 13)	**17,000**	-
Current portion of long-term liabilities (notes 10 and 13)	**487,706**	1,840,171
	1,270,425	5,753,243
Long-term liabilities, net of current portion		
Deferred payment agreement (note 8)	**-**	311,500
Deferred revenue (notes 9 and 13)	**51,000**	85,000
Lease obligations (note 6)	**6,253**	25,841
Government loans (note 11)	**240,230**	594,939
Deposits for future share financings (note 14)	**-**	594,860
Total liabilities	**1,567,908**	7,365,383
Shareholders' deficiency		
Share capital (note 14)	**13,853,744**	11,013,889
Contributed surplus (note 14)	**3,176,353**	1,268,088
Accumulated deficit	**(17,955,436)**	(15,823,223)
Total deficiency	**(925,339)**	(3,541,246)
Total liabilities and shareholders' deficiency	**$ 642,569**	$ 3,824,137

Nature of business and going concern (note 1)

Commitments and contingencies (note 21)

Subsequent events (note 25)

____*"Craig Leon"*_________Director

__ _*"Bill Jackson"*_________Director

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

MyndTec Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2022 and 2021

	2022	2021
Revenue (notes 13 and 24)	**$ 255,801**	$ 605,567
Cost of sales	**188,357**	250,946
Gross margin	**67,444**	354,621
Expenses		
General and administration (note 15)	**973,182**	1,113,932
Research and development (note 15)	**414,737**	726,296
Quality and regulatory assurance	**42,037**	73,267
Selling and marketing	**100,346**	90,318
Share-based compensation (note 14)	**240,337**	133,421
Interest and accretion expense (note 17)	**106,840**	318,970
Depreciation and amortization (notes 6 and 7)	**131,602**	106,025
Clinical trial (note 19)	**(67,151)**	2,077
Changes in fair value (note 17)	**(8,489)**	14,405
Public listing costs (note 14)	**266,216**	1,055,940
Government grants and tax credits (note 18)	**-**	(230,945)
Total operating expenses	**2,199,657**	3,403,706
Net loss and comprehensive loss	**$ (2,132,213)**	$(3,049,085)
Loss per share - basic and diluted	**$ (0.10)**	$ (0.18)
Weighted average number of common shares outstanding - basic and diluted	**21,228,311**	16,631,596

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

MyndTec Inc.
Consolidated Statements of Changes in Shareholders' Deficiency
For the years ended December 31, 2022 and 2021

	Share Capital (note 13)	Contributed Surplus (note 13)	Accumulated Deficit	Total (Deficiency)
Balance, December 31, 2020	**$ 10,085,283**	**$ 862,873**	**$ (12,774,138)**	**$ (1,825,982)**
Net loss and comprehensive loss	-	-	(3,049,085)	(3,049,085)
Common share financing	928,606	271,794	-	1,200,400
Share-based compensation	-	133,421	-	133,421
Balance, December 31, 2021	**11,013,889**	**1,268,088**	**(15,823,223)**	**(3,541,246)**
Net loss and comprehensive loss	-	-	(2,132,213)	(2,132,213)
Private placement (note 14)	1,891,640	1,062,662	-	2,954,302
Conversion of convertible debentures	1,013,336	641,849	-	1,655,185
Issuance expenses	(65,121)	(36,583)	-	(101,704)
Share-based compensation	-	240,337	-	240,337
Balance,December 31, 2022	**$ 13,853,744**	**$ 3,176,353**	**$ (17,955,436)**	**$ (925,339)**

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

MyndTec Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021

	2022	2021
Cash flows used in operating activities		
Net loss and comprehensive loss	**$ (2,132,213)**	$ (3,049,085)
Items not affecting cash:		
Share-based compensation	**240,337**	133,421
Depreciation and amortization (note 6 and 7)	**131,602**	106,025
Devices transferred to cost of sales (note 7)	**12,500**	-
Interest accretion (note 17)	**115,892**	319,546
Changes in fair value (note 17)	**(8,489)**	14,405
Deferred revenue (note 9)	**(17,000)**	85,000
	(1,657,371)	(2,390,688)
Changes in non-cash working capital items		
Trade and other receivables	**273,400**	(137,099)
Inventories	**45,173**	22,834
Prepaid expenses and deposits	**93,012**	41,121
Trade and other payables	**(1,097,911)**	1,248,718
Deferred revenue (note 9)	**-**	(220,520)
Net cash flows used in operating activities	**(2,343,697)**	(1,435,634)
Cash flows used in investing activities		
Purchase of equipment (note 7)	**(42,005)**	(64,444)
Net cash flows used in investing activities	**(42,005)**	(64,444)
Cash flows from financing activities		
Lease payments (note 6)	**(26,450)**	(56,092)
Repayment of deferred payment agreement (note 8)	**(30,000)**	-
Repayment of government loans (note 11)	**(124,030)**	(155,605)
Deposits for future share financings (note 14)	**-**	594,860
Proceeds of private placement (note 14)	**2,257,738**	825,400
Net cash flows from financing activities	**2,077,258**	1,208,563
Decrease in cash	**(308,444)**	(291,515)
Cash, beginning of year	**377,065**	668,580
Cash, end of year	**$ 68,621**	$ 377,065

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

1 Nature of business and going concern

MyndTec Inc. (the "Company" or "MyndTec") is a medical technology company that researches, develops and distributes innovative therapies designed to improve function, maximize independence and enhance the quality of life for individuals with paralysis due to stroke or spinal cord injury. The Company is incorporated under the Business Corporations Act of Ontario and its head office is located at 1900 Minnesota Court, Suite 122, Mississauga, Ontario, L5N 3C9. The Company became a publicly traded entity on the Canadian Securities Exchange on February 16, 2022 (note 14) and is listed under the symbol MYTC.

These consolidated financial statements (the "financial statements") have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. There is no certainty whether the Company will generate significant revenues or attain profitable operations in the near future and there can be no assurance that it will achieve profitability in the future, as it incurred a loss of $2,132,213 and had a negative cash flow from operating activities of $2,343,697 for the year ended December 31, 2022, and has accumulated $17,955,436 of losses as at December 31, 2022. As at December 31, 2022, the Company was in default on the Federal Economic Development Agency loan with a principal balance of $412,242 (note 11). The Company's ability to continue as a going concern is dependent on its raising of future required capital, bringing its products to market and achieving and maintaining profitable operations. The outcome of these matters cannot be predicted at this time. As a result, there exists a material uncertainty which creates significant doubt regarding the Company's ability to continue as a going concern. These financial statements do not include any adjustments and classifications of assets and liabilities, which might be necessary should the Company be unable to continue its operations. Such adjustments could be material.

2 Basis of presentation

Statement of compliance

These financial statements have been prepared by Management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations of the IFRS Interpretations Committee ("IFRIC"). The accounting policies set out in Note 3 have been applied in preparing the consolidated financial statements for the years ended December 31, 2022 and 2021.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on May 1, 2023.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, MyndTec US Inc. which was incorporated by the Company in the United States on October 10, 2018. As at December 31, 2022 and 2021, the US subsidiary is inactive.

The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies, and the subsidiary is fully consolidated from its date of formation. All intercompany balances, transactions and unrealized gains and losses resulting from intercompany transactions are eliminated on consolidation.

Functional currency and presentation currency

These consolidated financial statements are presented in Canadian dollars ("CAD dollars"). The Company's functional currency is Canadian dollars and the functional currency of the Company's wholly owned subsidiary is the United States dollar.

Use of estimates and judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2 Basis of presentation (continued)

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- ***Going concern***
  Judgement is required in determining if disclosure of a material uncertainty related to events or conditions which cast significant doubt on the Company's ability to continue as a going concern is required.

  The estimates used by management in reaching this conclusion are based on information available as of the date of these audited consolidated financial statements were authorized for issuance and included an internally generated cash flow forecast. Accordingly, actual results could differ from those estimates and resulting variances may be material to management's assessment.

- ***Trade and other receivables***
  The recognition of trade and other receivables and loss allowances requires the Company to assess credit risk and collectability. The Company considers historical trends and available information indicating a customer could be experiencing liquidity or going concern problems and the status of any contractual or legal disputes with customers in performing this assessment.

  The Company applies the simplified approach for trade receivables. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses ("ECLs") resulting from all possible default events over the assets' contractual lifetime. The Company has established an allowance for ECLs that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. This rate is then adjusted based on management judgment to account for current economic conditions, counterparty's present financial condition and the term to maturity of the specified receivable balance. Actual credit loss may significantly differ from this estimate of provision.

  Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof. The Company's expected credit loss provision was insignificant as at December 31, 2022 and 2021.

2 Basis of presentation (continued)

Use of estimates and judgements (continued)

- ***Leases***
  Values of right-of-use assets and lease liabilities require judgment in determining lease terms such as extension options and the incremental borrowing rate applied. The Company estimates the incremental borrowing rate based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated. Renewal options are only included if management is reasonably certain that the option will be renewed.

- ***Stock options and warrants***
  The Company uses the Black-Scholes valuation model to determine the fair value of stock option awards granted and warrants granted in conjunction with the share capital subscriptions. The fair value of the warrants granted in conjunction with the issuance of convertible debentures were determined using the Cox-Rubenstein Binomial model. Estimates are required for inputs to this model including the fair value of the underlying shares, the expected life of the option, volatility, expected dividend yield, forfeiture rates and the risk-free interest rate. Variation in actual results for any of these inputs will result in a different value of the share option realized from the original estimate. The assumptions and estimates used are further outlined in note 14.

- ***Convertible debentures and embedded derivative***
  Convertible debentures are compound financial instruments which are accounted for separately by their components: liabilities, equity and warrants. The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment by management. The separation of components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest or liability component. The determination of the fair value of the liability is also based on a number of assumptions including contractual future cash flows, discount rates, and presence of liabilities. Changes in the input assumptions can materially affect the fair value estimates and the Company's classification between debt and equity components.

- ***Fair value of financial instruments***
  The individual fair values attributable to the different components of a financing transaction, notably loans and borrowings and convertible debentures are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine the values attributable to each component of a transaction at the time of their issuance. When determining the discount rate used to estimate the fair value of government loans, the Company considers market conditions and other internal and external factors as well as third-party financing agreements entered into by the Company. In determining the fair value of the Health Technology Exchange loan, the Company uses judgment to estimate the future loan repayments based on projected future revenue. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

- ***Income taxes***
  The Company computes an income tax provision in each of the tax jurisdictions in which it operates. Actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the consolidated financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets against future taxable income based on an assessment of the ability to use the underlying future tax deductions before they expire. To the extent that estimates of future taxable income differ from the tax return, earnings would be affected in a subsequent period.

  In determining the amount of current and deferred tax, the Company considers the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3 Summary of significant accounting policies

Revenue recognition

The Company recognizes revenue on the transfer of promised services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services by applying the following steps:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations; and,
- recognize revenue when, or as, the Company satisfies a performance obligation.

Revenue represents the amount the Company expects to receive for products and services in its contracts with customers, net of discounts and sales taxes. The Company derives treatment revenue based upon the use of the Company's MyndMove devices by treatment clinics; as well as the sale of its products and supplies to research institutions and treatment clinics. Treatment revenue is recognized on a monthly basis as services are provided. The sale of its products and supplies is recognized when delivered to the customer and all performance obligations have been satisfied. The sale of extended warranties is deferred and recognized over the warranty period.

The Company recognizes revenue upon transfer of control of products or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for the products or services transferred. The Company evaluates contracts with customers to determine the appropriate performance obligations for revenue recognition purposes based on whether the product or service is distinct from some or all of the other products or services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct products and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation.

The Company determines the transaction price at the outset of each arrangement and the total consideration is allocated to the distinct performance obligations based on their relative fair value. The Company has determined that the recurring services promised in a contract with a customer represent a series of distinct services that are substantially the same and have the same pattern of transfer over time to the customer and each delivery of service is accounted for as a single distinct performance obligation.

The timing of revenue recognition and the contractual payment schedules often differ, resulting in some contractual payments being billed prior to the commencement of service. These amounts that are billed, but not earned, are recognized as deferred revenue in the consolidated statements of financial position. When products or services have been transferred to customers and revenue has been recognized, but not billed, the Company recognizes and includes these amounts as unbilled trade receivables in the consolidated statements of financial position.

The Company has elected to apply the practical expedient to not adjust the total consideration over the contract term for the effect of a financing component if the period between the transfer of services to the customer and the customer's payment for these services is expected to be one year or less.

Deferred revenue

Deferred revenue relates to revenues which have been paid for by customers prior to the performance of those services. This balance is recognized as the services are performed. The Company classifies deferred revenue relating to services to be provided in the next twelve months as current and deferred revenue relating to services to be provided beyond twelve months as non-current.

Cash

Cash includes cash and short-term deposits with major financial institutions that are highly liquid with a maturity date of less than three months.

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the first-in,first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3 Summary of significant accounting policies (continued)

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use (“ROU”) asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The ROU assets are depreciated to the earlier of the end of useful life of the ROU asset or the lease term using the straight-line method as this most closely reflects the expected pattern of the consumption of the future economic benefits.

The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the ROU asset can be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation. The lease obligation is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate.

The lease obligation is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from the change in an index or rate, if there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease obligation is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, unless it has been reduced to zero.

The Company has elected to apply the practical expedient to not recognize ROU assets and lease obligations for short-term leases that have a lease term of twelve months or less and for leases of low value assets. The lease payments associated with those leases are recognized as an expense on a straight-line basis over the lease term.

Equipment

Equipment are recorded at cost less accumulated depreciation and impairment losses. The cost of an item of property and equipment includes expenditures that are directly attributable to the acquisition thereof. Depreciation is calculated on a straight-line basis with an expectation of the following useful life estimates:

Computer equipment	4 years
Computer software	5 years
Other equipment	7 years
Treatment devices	10 years
Tooling	7 years

The Company assesses an asset’s residual value, useful life and depreciation method on an annual basis and if any events indicate a change, then adjustments are made as required.

Intangible assets

Expenditures on internally generated intangible assets are recognized as an expense in the period in which they are incurred unless an internally generated intangible asset arising from development has demonstrated all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and,
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for development costs is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

The Company has not capitalized any development costs to date, because a commercial value for the technology has not yet been demonstrated.

3 Summary of significant accounting policies (continued)

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed for impairment at each consolidated statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The recoverable amount of an asset or a cash generating unit is the higher of its fair value, less cost to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) (a) as a result of a past event; (b) when it is more probable than not an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) when a reliable estimate can be made of the amount of the obligation.

Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the combined and consolidated statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in shareholders' deficiency, 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 year, using tax rates enacted at the end of the reporting period, and any adjustments to tax payable in respect of previous years. Current tax assets and liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset an d settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the audited consolidated 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 end of the reporting period 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 tax assets and liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient earnings will be available to allow all or part of the asset to be recovered.

Income tax estimates

Provisions for taxes are made using the best estimates of the amount expected to be paid based on a qualitative assessment of all of the relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provision in the period in which such determination is made.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net income (loss) of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted earnings (loss) per share is calculated by dividing the net income (loss) of the Company by the weighted average number of shares outstanding adjusted for all potentially dilutive equity instruments, as applicable. As at December 31, 2022 and 2021, all of the Company's convertible instruments are anti-dilutive.

3 Summary of significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

- ***Financial assets***

  On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (''FVOCI''), or fair value through profit and loss (''FVTPL''). The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

  A financial asset is measured at amortized cost if it is not designated as at 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 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.

  The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	Subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	Subsequently measured at amortized cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

  The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred.

- ***Financial liabilities***

  The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

  The Company classifies its financial liabilities as either financial liabilities at FVTPL or amortized cost.

  Subsequent to initial recognition, other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at FVTPL are stated at fair value with changes being recognized in profit or loss.

  The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

3 Summary of significant accounting policies (continued)

- ***Financial liabilities and equity instruments***

  - Classification as debt or equity
    Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.
  - Equity instruments
    An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue cost.

  Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

- ***Classification of financial instruments***

  The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics and management intent as outlined below:

  Classifications

o Cash and short-term securities	Amortized cost
o Trade and other receivables, excluding HST	Amortized cost
o Trade and other payables, excluding HST	Amortized cost
o Deferred payment agreement	Amortized cost
o Derivative and warrant liabilities	FVTPL
o Lease obligations	Amortized cost
o FEDA and CEBA Government loans	Amortized cost
o HTC Government loan	FVTPL

- ***Impairment of financial assets***

  An expected credit loss ("ECL") model applies to financial assets measured at amortized cost. The Company's financial assets measured at amortized cost and subject to the ECL model consist primarily of trade receivables. The Company applies the simplified approach to impairment for trade and other receivables by recognizing lifetime expected losses on initial recognition through both the analysis of historical defaults and a reassessment of counterparty credit risk in revenue contracts on an annual basis.

Government grants and loans

Grants from the government are recognized at their fair value where there is reasonable assurance that a grant will be received, and the Company will comply with all related conditions.

Loans received from government entities are recognized initially at fair value with the difference between the fair value of the loan and the amount received being recognized immediately in the consolidated statements of loss and comprehensive loss.

Research and development costs

Research costs are charged to expenses as incurred. Development costs are deferred and amortized when the criteria for deferral are met, otherwise they are expensed as incurred. No development costs have been deferred to date.

Investment tax credits (ITCs)

ITCs are recorded when the qualifying expenditures are made and the ITCs have been received.

3 Summary of significant accounting policies (continued)

Foreign currency translation

Transactions denominated in foreign currencies have been translated into Canadian dollars at the average rate of exchange prevailing at the time of the respective transactions. Monetary assets and liabilities have been translated into Canadian dollars at the year-end foreign currency exchange rate. Non-monetary assets and liabilities are translated at historical foreign currency exchange rates. All foreign exchange gains and losses are included in the consolidated statements of loss and comprehensive loss.

Share-based payments

Stock option expense is recognized over the vesting periods of the respective options, if any, which is the period over which all of the specified vesting conditions are satisfied, creating a corresponding increase in contributed surplus.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. Share-based payments to non-employees are measured at fair value of services provided, measured on the service date and recorded over the service period. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

Accounting standards and amendments effective in the current year

There were no new accounting standards effective January 1, 2022 that were applicable to the Company.

Accounting standards and interpretations not yet adopted

The following standards and interpretations have been issued but are not mandatory for annual reporting periods beginning on January 1, 2022:

- Classification of Liabilities as Current or Non-current Amendments to IAS 1 – Effective period beginning on or after January 1, 2023. The new standard will not have an impact on the classification of the Company's liabilities.

4 Trade and other receivables

The aging of trade and other receivables net of expected credit losses, as at December 31, were as follows:

	2022	2021
Trade receivables		
0 - 30 days	$ 24,339	$ 14,290
60-90 days	1,354	261,309
Over 90 days	509	2,369
	$ 26,202	$ 277,968
Commodity taxes	6,036	27,670
	$ 32,238	$ 305,638

The Company provides for expected credit losses based on its assessment of probability of specific losses, estimates of future individual exposures and provisions based on historical experience. During the year the Company recorded $nil (2021 - $6,321) expected credit losses.

5 Inventories

The following are the Company's inventories as at December 31, 2022 and 2021:

	December 31 2022	December 31 2021
Production parts and clinical supplies	$ 65,427	$ 160,699
Finished devices	190,132	140,033
	$ 255,559	$ 300,732

During the year ended December 31, 2022, inventory of $56,885 was recorded to cost of goods sold (2021 - $195,227). During the year ended December 31, 2022, the Company recognized $77,547 write down of inventory (2021 - $nil), which has been included in cost of sales in the statement of loss and comprehensive loss.

6 Right-of-use asset and lease obligations

Changes in the right-of-use asset and lease obligation for the years ended December 31, 2022 and 2021 are as follows:

Right-of-use asset

	December 31 2022	December 31 2021
Costs		
Balance - beginning of year	$ 70,056	$ 121,743
Office lease terminated on July 31, 2021	-	(121,743)
Office lease commenced on August 1, 2021	-	70,056
Balance - end of year	70,056	70,056
Accumulated depreciation		
Balance - beginning of year	9,730	93,443
Office lease terminated on July 31	-	(121,743)
Amortization	23,352	38,030
Balance - end of year	33,082	9,730
Net book value - end of year	$ 36,974	$ 60,326

Lease obligation

	December 31 2022	December 31 2021
Balance - beginning of year	$ 52,291	$ 32,450
Office lease commenced on August 1, 2021	-	70,056
Accreted interest expense (note 17)	5,372	5,877
Lease payments	(26,450)	(56,092)
Balance - end of year	31,213	52,291
Less current portion (note 10)	24,960	26,450
Long-term portion	$ 6,253	$ 25,841

The Company's right-of-use asset and lease obligations relate to the Company's office premises, which was leased through July 2021 and, thereafter, a new three-year lease that commenced on August 1, 2021. The Company's fair value estimate of the new office lease addition and initial liability was $70,056, utilizing an incremental borrowing rate of 13.5%. Variable lease payments for the year ended December 31, 2022 were $29,314 (2021 – $29,322), recognized in general and administrative expenses in the consolidated statements of loss and comprehensive loss for the year.

7 Equipment

Net Book Value (NBV)	Computers Software and Equipment	Tooling	Treatment Devices	Total
Balance, December 31, 2020	$ 26,441	$ 66,596	$ 192,309	$ 285,346
Additions during the year	1,754	2,439	60,251	64,444
Depreciation during the year	(14,222)	(12,283)	(41,490)	(67,995)
Balance, December 31, 2021	13,973	56,752	211,070	281,795
Additions during the year	-	-	42,005	42,005
Cost of sales during the year				
At cost	-	-	(40,000)	(40,000)
Accumulated depreciation	-	-	27,500	27,500
Depreciation during year	(7,568)	(12,283)	(88,399)	(108,250)
Balance, December 31, 2022	$ 6,405	$ 44,469	$ 152,176	$ 203,050
Fully depreciated equipment				
Year ended December 31, 2021	$ 12,707	$ 114,549	$ 5,132	$ 132,388
Year ended December 31, 2022	$ 8,661	$ -	$ -	$ 8,661
NBV As at December 31, 2021				
Cost	$ 40,671	$ 87,198	$ 449,911	$ 577,780
Accumulated depreciation	(26,698)	(30,446)	(238,841)	(295,985)
Net book value	$ 13,973	$ 56,752	$ 211,070	$ 281,795
NBV As at December 31, 2022				
Cost	$ 32,010	$ 87,198	$ 451,916	$ 571,124
Accumulated depreciation	(25,605)	(42,729)	(299,740)	(368,074)
Net book value	$ 6,405	$ 44,469	$ 152,176	$ 203,050

8 Trade and other payables

The following are included in trade and other payables as at December 31:

	2022	2021
Trades and other payable	**$ 201,565**	$ 1,463,318
Salary of former interim CEO (note 13)	**75,000**	75,000
Warranty provision	**17,218**	15,312
Legal fees incurred in 2021	**309,000**	-
Legal fees incurred in 2022	**162,936**	-
	$ 765,719	$ 1,553,630

8 Trade and other payables (continued)

Deferred Payment Agreement

On December 31, 2021, the Company entered into an agreement with its former legal firm, which was made in settlement of amounts payable by the Company for services provided in 2021 and up to January 24, 2022, that related to the preparation of the Company's non-offering prospectus and execution of its February 2022 private placement (Note14). The agreement provided for deferral of $339,000 of fees, to be paid at $2,500 per month from February 1, 2022 to June 1, 2023 plus $296,500 due and payable on June 30, 2023. In the event the Company closes a private placement (note 25) or public offering, the Company is required to pay down the outstanding balance as follows: i) if the offering is less than $3 million, the payment will be 5% of the original deferred balance; ii) if the offering is $3 million or more, the payment will be for the outstanding balance. Interest accrues on the balance beginning January 24, 2022 at an annual rate equal to the Royal Bank of Canada prime rate plus 5%, calculated and compounded monthly. Conditional upon the Company respecting the payment terms, the interest will be waived.

Loan payments of $30,000 were made in 2022 (2021 $nil) and the remainder of the loan is due for payment by June 30, 2023. As at December 31, 2021, $27,500 of the loan was recorded in current portion of long-term debt and $311,500 was included in long-term liabilities. As at December 31, 2022, the balance is recorded in trade and other payables in current liabilities. The Company has not accrued any interest expense on this loan up to December 31, 2002.

On April 6, 2022, the Company obtained an Order for Assessment from the Ontario Superior Court of Justice to assess $198,570 of legal fees, of which the Company had already paid $51,564 and $146,936 remains unpaid from the year ended December 31, 2022. As of December 31, 2022, there have been no mediation meetings or other formal proceeding in respect of this matter.

9 Deferred revenue

Current plus long-term deferred revenue was $68,000 as at December 31, 2022 (December 31, 2021 - $85,000), net of $17,000 of income recognized in 2022 (2021 - $nil). The deferred revenue as at December 31, 2022 and 2021 relates to a five-year extended warranty for the engineering, manufacturing and delivery of devices to a research facility, the KITE Research Institute at the University Health Network, in Toronto, Canada, which is significantly influence by a director of the Company (note 13).

10 Current portion of long-term liabilities

The current portion of long-term liabilities as at December 31, 2022 and 2021 includes:

	2022	2021
Payable in cash		
Deferred payment agreement (note 8)	$ -	$ 27,500
Lease obligations (note 6)	24,960	26,450
Federal Economic Development Agency (note 11)	412,242	60,000
Health Technology Exchange (note 11)	23,854	69,030
Federal CEBA (note 11)	26,650	27,400
	487,706	210,380
To be settled by equity conversions		
Derivative and warrant liabilities (note 12)	-	354,292
Convertible debentures (note 12)	-	1,275,499
	$ 487,706	$ 1,840,171

11 Government loans

Government loans as at December 31, 2022 and 2021 include:

	2022	2021
Federal Economic Development Agency (FEDA)	$ 412,242	$ 324,365
Health Technology Exchange (HTE)	264,084	399,604
Federal CEBA	26,650	27,400
	702,976	751,369
Less current portion (note 10)	462,746	156,430
Long-term portion	$ 240,230	$ 594,939

Federal Economic Development Agency of Southern Ontario (FEDA) loan

The FEDA loan is unsecured, non-interest bearing and it provided initial financing of $919,518. On December 3, 2021, the payment terms for this loan were amended and, as at December 31, 2022, the principal balance outstanding of this loan is $412,242 (2021 – $467,242), due as follows:

During the year, the Company recognized $61,757 (2021 – $72,939) of accretion expense (note 17) on this loan.

On December 1, 2022, the Company defaulted on a payment due to FEDA and on December 31, 2022 the Company exhausted the allowed time to cure the default and the loan became immediately due and payable. No payments have been made since December 31, 2022. As a result, the fair value of the loan was amended to the actual outstanding amount and a loss on debt modification was recorded in the amount $81,120 for the year ended December 31, 2022.

Previously, the Company received the loan in tranches based on qualifying expenditures incurred. The Company initially determined the fair value of the loan based on the estimated future cash flows of the loan using a discount rate of 19.2%. The payment terms of the loan were amended on February 19, 2020, June 1, 2020 and December 3, 2021; in all instances extending the terms of repayment. On the amendment dates, the loan was revalued using an effective interest rate of 20.1% as at February 19, 2020, 19.2% as at June 1, 2020 and 19.2% as at December 3, 2021. As a result, the Company recognized a gain on debt modification in the amount $75,762 for the year ended December 31, 2021 which is included in changes in fair value expense in the consolidated statements of loss and comprehensive loss (note 17).

During the year ended December 31, 2022, the Company made repayments of $55,000 (2021 - $110,000).

11 Government loans (continued)

Health Technology Exchange (HTE) loan

The Health Technology Exchange loan is unsecured, bears interest at 3.1% per annum, is repayable based on 10% of certain preceding year gross revenue and provided initial financing of $749,600. As at December 31, 2022, the principal balance outstanding on this loan is $749,600 (2021 – $749,600), compared to the gross book value of the principal and interest payable as at December 31, 2022 of $748,578 (2021 - $794,370). The amount of the loan payable in the following year is $23,854 (2021 - $69,030). During the year ended December 31, 2022, the Company made a repayment of $69,030 (2021 – $45,605 and the Company recognized $23,238 (2021 – $23,238) of accretion expense on this loan.

The Company values the HTE loan at fair value at the end of each quarter, based on the estimated future cash flows of the loan using a discount rate of 20.0% and revenue growth rates between 10% and 30%. Therefore, the fair value of this loan is determined to be $264,084 as at December 31, 2022 (2021 - $399,604), which resulted in the Company recording a fair value adjustment gain of $88,727 (2021 – loss of $75,572) (note 17).

Federal Canadian Emergency Business Account (CEBA) loan

The Federal CEBA loan is part of the Canadian federal government's support program in response to the COVID-19 pandemic, wherein the Company was able to obtain a $40,000 non-interest-bearing loan due on or before December 31, 2022. If the Company fully repays the loan by the due date, $10,000 of the loan will be forgiven.

On receipt of the loan in 2020, the Company determined the fair value of the loan based on the estimated future cash flows of the loan using a discount rate of 18.8%, which resulted in the Company recording income of $16,265 that was included in government grants and tax credits on the consolidated statements of loss and comprehensive loss during that year. In 2022, the Government extended the due date to December 31, 2023, which required the Company to revalue the fair value of the loan and record a fair value adjustment gain of $3,469 (2021 – $nil) (note 17).

During the year ended December 31, 2022, the Company recognized $2,718 (2021 – $2,375) of accretion expense on this loan (note 17).

A reconciliation of the government loans is as follows:

	2022	2021
Balance - beginning of year	$ 751,369	$ 804,612
Loan payments	(124,030)	(155,605)
Accretion expense (note 17)	86,713	98,552
Fair value adjustment of government loans (note 17)	(11,076)	3,810
Balance - end of year	702,976	751,369
Less current portion (note 10)	462,746	156,430
Long-term portion	$ 240,230	$ 594,939

12 Convertible debentures

A summary of the movement in convertible debentures is as follows:

	Year Ended December 31	
	2022	2021
Balance - beginning of year	$ 1,275,499	$ 1,060,382
Accretion expense (note 17)	22,807	215,117
Conversion to share capital (note 14)	(1,298,306)	-
Balance - end of year	-	1,275,499
Less current portion (note 10)	-	1,275,499
Long-term portion	$ -	$ -

12 Convertible debentures (continued)

On May 19, 2020, the Company issued unsecured convertible debentures with a maturity date of December 31, 2022, in an aggregate principal amount of $1,250,000. Interest accrued at a fixed annual interest rate of 8%, compounded annually and was payable on the maturity date. The convertible debenture was recorded at amortized cost using the effective interest rate of 18.4%. The fair value of the conversion option was determined to be $304,236 on issuance, using a discount rate of 1%, probability of 95% and expected timing of a qualified financing of June 2021.

The convertible debentures were determined to have completed a qualified transaction on February 4, 2022 and were converted to share capital at a 25% premium to their book value (note 14). When converted, these convertible debentures and accrued interest were to be converted into common shares at the fair market value of the respective common shares at the date of conversion, as determined by the Board, unless the conversion is a result of a qualified financing. Given the occurrence of a qualified financing, the convertible debentures and accrued interest were converted at a price per security equal to 80% of the price per security issued in the qualified financing.

As at December 31, 2021, the fair value of the conversion option was determined to be $354,292 using a discount rate of nil%, probability of 100% and expected timing of qualified financing of February 2022. On February 4, 2022 a fair value expense of $2,587 (2021 - $29,561) was recorded and on February 7, 2022 the convertible debentures were converted into share capital (note 1).

The embedded derivative and warrant liabilities related to the convertible debentures are as follows:

	Conversion Option	Warrants	Total
Balance - December 31, 2020	$ 324,731	$ 18,966	$ 343,697
Fair value loss or (gain)	29,561	(18,966)	10,595
Balance - December 31, 2021	354,292	-	354,292
Fair value loss (note 17)	2,586	-	2,586
Conversion to share capital (note 14)	(356,878)	-	(356,878)
Balance - December 31, 2022	$ -	$ -	$ -

13 Related party balances and transactions

During the years ended December 31, 2022 and 2021, the Company recognized treatment revenues and device sales revenues from LBB Applied Technology Inc., a shareholder of the Company that was entitled to nominate one director to the Board. These transactions were made in the normal course of business.

The Company has a shareholder and director, who is employed by the KITE Research Institute at the University Health Network in Toronto, Canada (KITE), an Institution over which he has significant influence and to which the Company is committed to a long-term license agreement (note 21), requiring the semi-annual payment of royalty fees. In addition, the Company has entered into contracts with this Institution to sell MyndMove devices, which have been modified for research purposes; and to purchase research and development (R&D) services.

In 2017, the Board approved the remuneration of a director, related to interim CEO services provided to the Company in addition to his role as director. As at December 31, 2022 and 2021, the entire $75,000 amount remains unpaid and is included in trade and other payables.

$1,807,500 of the $2,954,302 in private placement funds raised in 2021 (note14), was from directors, officers and a significant shareholder. $1,000,000 of the $1,259,535 of private placement funds (note 14) recorded as share capital on May 3, 2021 was received from a director and a significant shareholder of which $250,000 was recorded as deposits for future share financings as at December 31, 2021. The aforenoted raises and convertible debentures were on the same terms as convertible debentures issued to unrelated parties.

13 Related party balances and transactions (continued)

On June 23, 2021, the Company appointed a new Chief Executive Officer (CEO), at the same salary amount and benefits as the former CEO. The former CEO and Director cooperated with the Company in executing a termination arrangement that confirmed a concurrent severance payment of $255,816, including benefits, and signed a transitional services agreement with the Company that resulted in a $102,500 additional expense over a six-month period. The new CEO was granted 600,000 options, with a Black-Scholes value of $284,371; and the former CEO forfeited 397,608 options, with a Black-Scholes value of $345,919 calculated on their issue date in the year ended December 31, 2017.

A summary of the Company's related party transactions follows:

	December 31	
	2022	2021
Revenue during the year ended		
Treatment revenues	$ 60,610	$ 92,358
Sale of devices and parts	54,897	361,445
	$ 115,507	$ 453,803
Expenses during the year ended		
Share-based compensation for directors and senior officers	$ 97,667	$ 131,639
Salaries, fees and benefits for directors and senior officers	551,613	1,035,563
License fees	9,538	9,757
R&D services	-	262,986
	$ 658,818	$ 1,439,945
Assets - as at the date specified		
Accounts receivable from US Distributor	$ 19,312	$ 15,147
Liabilities - as at the date specified		
Due to director for pre-2020 compensation	$ 75,000	$ 75,000
License fees payable	$ 9,538	$ 9,757
Deferred revenue	$ 68,000	$ 85,000

14 Share capital, warrants and stock options

The Company is authorized to issue an unlimited number of common shares. The following shares are issued and outstanding:

	Number of Shares	$
Balance, December 31, 2020	15,730,737	10,085,283
Private placement	1,369,059	928,606
Balance, December 31, 2021	17,099,796	11,013,889
Private placement	2,954,302	1,826,519
Conversion of Convertible Debentures	1,784,402	1,013,336
Balance, December 31, 2022	21,838,500	13,853,744

14 Share capital, warrants and stock options (continued)

Second Private placement transaction and public company listing

On February 16, 2022, the Company completed a second private financing, for a total of $2,954,302 of which $594,860 was received by the Company as of December 31, 2021, and was recorded in the statement of financial position as deposits for future share financings. The remaining $2,359,442 of proceeds was received by the Company, from the Escrow Trustee, on February 18, 2022. Offsetting those amounts allocated to share capital and contributed surplus, the Company incurred $101,704 of share issue costs that were recorded in prepaid expenses and deposits as at December 31, 2021.

The subscribers ultimately received 2,954,302 common shares of the Company and 2,954,302 warrants to acquire common shares of the Company at $1.00. The warrants expire February 7, 2027. Of the $2,852,598 in proceeds net of issue costs, $1,062,662 was allocated to the value of the warrants issued, based on a Black Scholes valuation of the warrants with an exercise price of $1.00; an estimated $0.65 value of common shares; a volatility rate of 80.8%; an expected 5-year life for the warrants; and a risk-free interest rate of 1.31%.

Concurrent with the completion of the second private placement, the Company became a listed public company on the Canadian Securities Exchange.

As at December 31, 2022, the Company had 9,146,781 common shares held in escrow (2021 – nil).

Conversion of Convertible debentures

The secondary private placement created a qualified financing, as defined in the convertible debenture agreements, for the Company's existing convertible debentures. Effective February 4, 2022, the Company's outstanding carrying value of convertible debentures, accumulated interest and the related conversion liability (note 11), amounting to $1,655,185, were converted into 1,784,402 subscription receipt units at $0.80 per subscription receipt unit. Of the $1,655,185, $641,849 was allocated to the value of the warrants issued, based on a Black Scholes valuation of the warrants with an exercise price of $1.00; an estimated $0.65 value of common shares; a volatility rate of 80.8%; an expected 5-year life for the warrants; and a risk-free interest rate of 1.31%.

First Private Placement

On May 3, 2021, the Company completed a private financing transaction, led by Company investors, wherein the Company raised $1,259,535 of share capital proceeds, entirely from existing shareholders. This financing resulted in the issuance of 1,369,059 common shares at a price of $0.92 and 1,259,535 common share warrants with an exercise price of $1.06 and expiration date of May 3, 2023.

- $285,184 of the proceeds less share issue costs were allocated to the value of the warrants, based on a Black Scholes valuation as described below.
- $375,000 of the proceeds were received by December 31, 2020 and are recorded in the Company's December 31, 2020 consolidated statement of financial position as deposits for future share financings.
- $59,135 of share issue costs were incurred in respect of these financings, of which $45,785 was recorded in the December 31, 2020 consolidated statement of financial position as part of prepaid expenses and deposits.

Warrants

The Company estimated the fair value of the common share warrants granted using the Black-Scholes option pricing model with the following assumptions:

	May 3, 2021	February 4, 2022
Warrants	1,259,535	4,738,704
Exercise Price	$1.06	$1.00
Share Price	$0.710	$0.650
Volatility	78.80%	80.80%
Expected life of warrants (years)	2.00	5
Risk-free interest rate	1.41%	1.31%
Dividend yield	nil	nil

14 Share capital, warrants and stock options (continued)

Warrants (continued)

The following warrants are issued and outstanding:

	Number of Warrants	Weighted Avg. Exercise Price
Balance, December 31, 2020	2,146,152	**$0.92**
Expired	(2,146,152)	-0.92
Private placement	1,259,535	1.06
Balance, December 31, 2021	1,259,535	**$1.06**
Private placement	2,954,302	1.00
Conversion of convertible debentures	1,784,402	1.00
Balance, December 31, 2022	5,998,239	**$1.01**

As at December 31, 2022, all warrants are exercisable and have a weighted average remaining contractual life of 3.32 years (December 31, 2021 – 1.34 years).

Stock options

Under the Company's "evergreen" stock option plan, the Company may grant stock options for up to 10% of the outstanding common shares at the time of the granting of the stock options on a fully diluted basis to certain employees and directors. The exercise price of each stock option granted may not be less than the market price of the Company's stock at the time of the grant. These stock options vest over a period of up to four years and have expiry dates of either seven or ten years.

The following options are issued and outstanding:

	Number of Options	Weighted Avg. Exercise Price
Balance, December 31, 2020	**1,007,858**	**$1.08**
Expired	(620,358)	-1.16
Issued	600,000	1.00
Balance, December 31, 2021	**987,500**	**$0.98**
Expired	(122,500)	1.04
Issued	250,000	0.96
Balance, December 31, 2022	**1,115,000**	**$0.97**

The following options are issued and outstanding:

	December 31, 2022 Outstanding Stock Options		
	Number	Weighted Avg. Contractual Life (years)	Number of Stock Options Exercisable
Exercise Price			
$1.00	650,000	8.57	339,583
$0.95	200,000	9.17	223,750
$0.92	265,000	3.38	100,000
	1,115,000	7.41	663,333

14 Share capital, warrants and stock options (continued)

Stock options **(continued)**

The Company estimated the fair value of the stock options granted in 2022 and 2021 using the Black-Scholes option pricing model with the following weighted average assumptions:

	2022		2021	
	May 3	March 1	August 16	June 1
Options	200,000	50,000	100,000	500,000
Exercise Price	$0.95	$1.00	$1.00	$1.00
Estimated share price value	$0.95	$0.95	$0.71	$0.71
Volatility	80.80%	80.80%	78.80%	78.80%
Expected life in years	5	5	7	7
Risk-free interest rate	2.93%	1.62%	1.41%	1.41%
Dividend yield	nil	nil	nil	nil
Estimated value per option	$0.627	$0.607	$0.474	$0.474
Total Valuation	$125,382	$30,354	$47,395	$236,976

Due to the absence of Company specific volatility rates, the Company chose comparable companies in a similar industry. Compensation expense related to stock options recorded in the consolidated statement of loss and comprehensive loss, for the year, using the graded vesting method, was $240,337 (2021 – $133,421).

15 Breakdown of expenses by nature

	2022	2021
Salaries and benefits (note 16)	$ 382,076	$ 650,679
Accounting, legal and professional fees	297,634	291,356
Technology expense	67,084	63,650
Additional rent	29,314	29,322
Insurance	163,818	42,004
Travel	5,110	229
Other expenses	28,146	36,692
Total general and administration	$ 973,182	$ 1,113,932
Salaries and benefits (note 16)	$ 350,777	$ 367,754
Patent expenses	34,641	62,339
Other development expenses	29,319	296,203
Total research and development	$ 414,737	$ 726,296

16 Salaries and benefits (note 13)

	2022	2021
General and administration (note 15)	$ 382,076	$ 650,679
Research, development and quality control (note 15)	350,777	367,754
Selling and marketing	67,457	68,271
Clinical trial (note 19)	74,943	87,387
	$ 875,253	$ 1,174,091

17 Interest and accretion expense and changes in fair value

	2022	2021
Government Loans		
Government loan - FEDA	$ 61,757	$ 72,939
Government loan - HTE	22,238	23,238
Government loan - CEBA	2,718	2,375
Total for government loans (note 11)	86,713	98,552
Lease obligations (note 6)	5,372	5,877
Convertible debentures (note 12)	22,807	215,117
Total accretion expense	114,892	319,546
Short term interest	(8,052)	(576)
Total interest and accretion expense	$ 106,840	$ 318,970

	2022	2021
Government Loans		
Government loan - FEDA	$ 81,120	$ (71,762)
Government loan - HTE	(88,727)	75,572
Government loan - CEBA	(3,469)	-
Total for government loans (note 11)	(11,076)	3,810
Convertible debentures, conversion option liability adjustment (note 12)	2,587	29,561
Warrant liabilities (note 12)	-	(18,966)
Total change in fair value	$ (8,489)	$ 14,405

18 Government grants and tax credits

	2022	2021
SR&ED Claims	$ -	$ (230,945)
	$ -	$ (230,945)

Scientific research and experimental development tax credits
The Company periodically makes claims for SR&ED deductions and related expenses for income tax purposes, based on management's interpretation of the applicable legislation in the Income Tax Act (Canada). During the year ended December 31, 2022, the Company received and recognized $nil of SR&ED claims for the 2021 taxation year (2021 – $230,945 for the 2020 tax year). The Canada Revenue Agency is still reviewing the Company's $270,357 claim for the year ended December 31, 2021 and its $21,762 claim for the 45 days ended February 15, 2022.

On February 16, 2022, when the Company became publicly listed, it no longer qualifies for cash refundable SR&ED credits from that date forward, which will cause the Company's net research and development expenses to increase.

19 Clinical trial

The Company is party to an arrangement funded by the United States Department of Defense, for a total of US$2,014,378, wherein the Company is responsible to manage a clinical trial of its MyndMove device. The Company has no obligation as to the outcome of this trial and is eligible to recover all costs of the participating clinics and supervising clinic once the respective funds have first been received from the US Federal Government. This trial was completed on July 28, 2022.

20 Income taxes

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

	December 31, 2022	December 31, 2021
Net loss before income taxes	$ (2,132,213)	$ (3,049,085)
Expected income tax recovery	$ (565,040)	$ (808,010)
Share based compensation	63,710	35,390
Share issuance costs booked directly to equity	(26,950)	(15,670)
Change in tax benefit not recognized	528,280	788,290
	$ -	$ -

Deferred tax
The following table summarizes the components of deferred tax:

	December 31, 2022	December 31, 2021
Deferred Tax Assets		
Lease Obligations	$ 8,270	$ 13,860
Convertible debentures	-	42,780
Non-capital losses carried forward	133,410	184,250
	$ 141,680	$ 240,890
Deferred Tax Liabilities		
Right of use asset	$ (9,800)	$ (15,990)
Derivative and warrant liabilities	-	(218,120)
Government loans	(131,880)	(3,340)
Input tax credits	-	(3,440)
	$ (141,680)	$ (240,890)

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.

20 Income taxes (continued)

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 carrying value of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	December 31, 2022	December 31, 2021
Equipment	$ 440,560	$ 329,550
Government loans	-	342,520
Share issuance costs	763,480	920,600
Reserves	96,220	75,000
Canadian non-capital losses carried forward	15,055,760	12,712,030
Federal tax credits	38,020	38,016
Other tax deduction pools	745,080	745,080
Provincial tax credits	47,230	47,232
Balance at end of year	$ 17,186,350	$ 15,210,028

The Canadian non-capital income tax loss carry-forward expires as noted in the table below. Share issue costs will be fully amortized in 2026. Investment tax credits expire from 2026 to 2027. The remaining deductible differences may be carried forward indefinitely. There are no capital losses carried forward. 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 Company can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

2033	$ 1,280,260
2034	1,795,280
2035	1,278,160
2036	1,224,110
2037	1,175,840
2038	1,430,050
2039	1,715,120
2040	1,421,310
2041	1,461,370
2042	2,274,260
	$ 15,055,760

21 Commitments and contingencies

On August 29, 2012, the Company entered into an agreement with a health services institution whereby it granted the Company an exclusive worldwide license to commercialize certain intellectual property related to a functional electrical stimulation device and system; for which the Institution received 400,000 of the Company's common shares, with a fair value of $400,000. In addition, the Company is committed to paying a cumulative royalty on the net sales of stimulators used to treat motor dysfunction, as follows:

- 0% on the first $1,000,000 cumulative net sales;
- 4% on the cumulative net sales exceeding $1,000,000 but not greater than $7,500,000; and,
- 1% on the cumulative net sales exceeding $7,500,000.

The amount of these fees of the years ended December 31, 2022 and 2021 are disclosed in Note 13.

The Company's lease commitments are disclosed in Note 6.

22 Capital Management

The Company's capital management objectives are to maintain financial flexibility in order to pursue its product development and commercialization strategy, and ultimately provide long-term returns to its shareholders. This strategy relies significantly on the Company's ability to demonstrate growing efficacy creation in its medical devices, in order to convince potential investors to invest more capital in the Company's development efforts.

The Company defines capital as the aggregate of its share capital and borrowings.

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay financial liabilities, issue shares, repurchase shares, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances. The Company is not subject to any externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the year ended December 31, 2022.

23 Financial instruments and risk management

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits with banks and outstanding receivables. The Company trades only with recognized, creditworthy third parties. The Company performs credit checks for all customers who wish to trade on credit terms.

The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Credit loss impairment is determined based upon review of specific accounts as the Company does not have significant historical uncollectable receivables. As at December 31, 2022, the Company had $1,863 in overdue trade and other receivables (2021 – $2,369).

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they come due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows, the issuance of share capital and if desired, the issuance of debt. The Company's trade and other payables are all due within twelve months from the date of these consolidated financial statements.

If unanticipated events occur that impact the Company's ability to meet its forecast and continue to fund customer acquisition cost, research and development, and administrative requirements, the Company may need to take additional measures to increase its liquidity and capital resources, including obtaining additional debt or equity financing or strategically altering the business forecast and plan. In this case, there is no guarantee that the Company will obtain satisfactory financing terms or adequate financing. Failure to obtain adequate financing on satisfactory terms could have a material adverse effect on the Company's results of operations or financial condition.

23 Financial instruments and risk management (continued)

Liquidity risk (continued)

The Company is obligated to the following contractual maturities of undiscounted cash flows as at December 31, 2022:

	Payments Due			
	Less than 1 year	**2 - 3 years**	**After 3 years**	**Total**
Trade and other payables	$ 765,719	$ -	$ -	$ 765,719
Office lease - base rent and common area	24,960	6,253	-	31,213
Government loans (undiscounted)	462,746	74,520	644,394	1,181,660
	$ 1,253,425	$ 80,773	$ 644,394	$ 1,978,592

Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk:

- **Foreign currency risk** arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company's primary exposure with respect to foreign currencies is from United States dollar denominated cash, trade and other receivables, and trade and other payables. As at December 31, 2022, a 1% change in the foreign exchange rates would result in a $248 impact to the consolidated financial statements (2021 - $568).
- **Interest rate risk** is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as at December 31, 2022 and 2021 because all of its indebtedness is at fixed rates.
- **Other price risk** is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risk as at December 31, 2022 and 2021.

Fair values

The carrying values of cash, trade and other receivables excluding HST, trade and other payables excluding HST, and lease obligations are considered representative of their respective fair values due to the short-term period to maturity. The government loans approximate their fair value as the interest and discount rates are consistent with the current rates offered by the Company for its loans with similar terms. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- **Level 1** – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- **Level 2** – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- **Level 3** – Significant unobservable inputs that are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. During the year, there were no transfers of amounts between levels. The fair value of derivative and warrant liabilities and HTC government loan are determined using level 3 inputs.

23 Financial instruments and risk management (continued)

Fair values (continued)

Financial instruments measured at fair value using level 3 inputs:

	Valuation technique	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value**
Derivative liabilities	Probability weighted discounted cash flow (note 12)	- Discount rate - Expected timing and probability of qualified transaction	An increase in the probably or earlier expected date of Qualified Financing would increase the fair value of the derivative liability.
Warrant liabilities	Black Scholes (note 14)	- Share price - Volatility	An increase in share price or volatility would increase the fair value of the warrant liabilities.
HTC government loan	Discounted cash flows (note 11)	- Discount rate - Expected timing of repayments based on revenue forecast	An increase revenue growth or decrease in discount rate would increase the fair value of the HTC government loan.

24 Segmented information

The Company reports segment information based on internal reports used by the chief operating decision maker ("CODM") to make operating and resource decisions and to assess performance. The CODM is the Chief Executive Officer.

The Company has revenues from sales in Canada and from Canada to the United States and has one operating segment which includes income related to its MyndMove device and a variation of that device, called MyndSearch, which has been modified for research purposes. The two types of revenue that are earned from MyndMove include: (1) treatment fees, from treatment clinics that use the Company's MyndMove devices and (2) product sales, which are revenues from the sale of MyndMove or MyndSearch devices to clinics or research institutions and the sale of treatment supplies.

All treatment devices are located in Canada, except for six devices located in the United States, and all sales of devices have occurred in Canada. Revenue by geographical location and by services and products delivered were as follows:

	2022	2021
Revenue by geographic location of customers		
Canada	$ 87,007	$ 469,202
Non-Canadian	168,795	136,365
	$ 255,801	$ 605,567
Revenue by services and products delivered		
Treatment fees	$ 128,310	$ 199,358
Product sales	127,227	405,945
Other	264	264
	$ 255,801	$ 605,567

25 Subsequent events

January 2023 Private Placement Transaction

On January 11, 2023, the Company completed a non-brokered private financing with existing shareholders of 762,932 units, at $0.75 per unit, for a total subscription price of $572,199 and proceeds net of expenses of $532,643. Each Unit was comprised of one Common share and one warrant. The warrants have an exercise price of $0.90 per warrant and expire on January 11, 2026. Pursuant to this financing, the Company was required to make a $16,950 pre-payment of the deferred payment agreement amount due on June 30, 2023 (note 8). The Issue Price of $0.75 represents approximately a 17% discount to the November 08, 2022 closing price of $0.90 for the Common Shares on the Canadian Securities Exchange (the "CSE").

$537,200 of the $572,199 proceeds were received from a director and a significant shareholder.

Pending Private Placement Offer

On March 22, 2023 the Company announced that it has launched a non-brokered private placement of up to 1,333,333 units of the Company at an issue price of $0.75 per Unit to raise aggregate gross proceeds to the Company of up to $1,000,000. Each Unit shall be comprised of one common share in the capital of the Company and one common share purchase warrant, whereby each warrant will be exercisable to acquire one common share at an exercise price of $0.90 per warrant for a period of 36 months following the date of issuance.