Biosenta Inc.

Consolidated Financial Statements
For the years ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

Biosenta Inc.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Independent Auditor's Report	2-3
Consolidated Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statements of Operations and Comprehensive Loss	5
Consolidated Statements of Changes in Shareholders' Deficit	6
Consolidated Statements of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 31

Independent Auditor's Report

To the Shareholders of Biosenta Inc.

Opinion

We have audited the consolidated financial statements of Biosenta Inc. (the "Company"), which comprise the consolidated statement of financial position as at September 30, 2022 and 2021, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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 in the past and currently has an accumulated deficit of $14,920,848. As stated in Note 1, these events or conditions, along with other matters 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.

Other Information

Management is responsible for the other information. The other information comprise:

- Management's Discussion and Analysis; and

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 IFRSs, 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Licensed Public Accountants
Toronto, Ontario
January 27, 2023

Biosenta Inc.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars, unless otherwise stated)

	Notes	**September 30, 2022 $**	September 30, 2021 $
ASSETS			
Current			
Cash		**27,263**	111,881
Inventory	5	**45,177**	77,106
Prepaid expenses		**44,424**	71,558
Other receivables		**139,214**	3,117
		256,078	263,662
Non-current			
Intangible assets	6	**1**	1
Total assets		**256,079**	263,663
LIABILITIES			
Current			
Accounts payable and accrued liabilities	7	**1,299,912**	1,396,493
Payable from restructuring proposal		**254,092**	254,092
Loans and promissory notes payable	8	**34,766**	92,430
Joint venture advances	9	**1,531,950**	1,054,471
		3,120,720	2,797,486
Non-current			
CEBA loan	11	**60,000**	60,000
Total liabilities		**3,180,720**	2,857,486
SHAREHOLDERS' DEFICIT			
Share capital	12	**12,058,002**	10,027,826
Warrant reserves	13	**833,030**	—
Equity reserves	14	**953,293**	840,938
Loss on settlement of liabilities	12	**(1,848,118)**	—
Deficit		**(14,920,848)**	(13,462,587)
Total shareholders' deficit		**(2,924,641)**	(2,593,823)
Total liabilities and shareholders' deficit		**256,079**	263,663

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 15)
Subsequent events (Note 19)

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

Approved by the Board of Directors

Signed "Am Gill" CEO and President

Signed "Ed Korhonen" Director

Biosenta Inc.
Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars, unless otherwise stated)

	Notes	**Year ended September 30, 2022 $**	Year ended September 30, 2021 $
Income from royalty		—	16,608
Sales		**1,151**	151,497
Total revenue		**1,151**	168,105
Cost of revenue		**423**	68,998
Gross profit		**728**	99,107
Administrative expenses			
Professional fees		**245,711**	236,865
Salaries, management and consulting fees	12	**627,435**	778,181
Share-based compensation	12	**112,355**	892,128
Office and general		**43,737**	35,267
Insurance		**37,375**	22,909
Product development costs		**103,052**	80,566
Share transfer fees		**21,425**	19,789
Sales and marketing		**10,237**	50,394
Travel		**7,697**	2,642
Total expenses		**1,209,024**	2,118,741
Net loss from operations		**(1,208,296)**	(2,019,634)
Other expenses (income)			
Write-down of inventory		**30,779**	7,946
Interest expense		**222,878**	10,249
Exchange loss		**7,820**	4,040
National Research Council Canada grant		**(11,512)**	—
Total other expenses		**249,965**	22,235
Income tax expense (recovery)	18	—	—
Net loss and comprehensive loss		**(1,458,261)**	**(2,041,869)**
Loss per common share - basic and diluted		**(0.07)**	(0.11)
Weighted average number of common shares - basic and diluted		**21,303,490**	17,796,546

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

Biosenta Inc.

Consolidated Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian dollars, unless otherwise stated)

		Share Capital		Warrants	Equity reserve	Loss on settlement of liabilities	Accumulated deficit	Total
		Shares	Amount					
	Notes	#	$	$	$	$	$	$
As at September 30, 2020		17,341,738	9,362,634	140,285	49,810	—	(11,420,718)	(1,867,989)
Shares issued for consultancy services		200,000	101,000	—	—	—	—	101,000
Shares issued on exercise of warrants in cash		1,639,538	468,192	(140,285)	—	—	—	327,907
Shares issued to settle liabilities		200,000	96,000	—	—	—	—	96,000
Share based compensation		—	—	—	791,128	—	—	791,128
Net loss for the year		—	—	—	—	—	(2,041,869)	(2,041,869)
As at September 30, 2021		**19,381,276**	**10,027,826**	—	**840,938**	—	**(13,462,587)**	**(2,593,823)**
Shares issued to settle liabilities	12	3,625,315	2,030,176	—	—	—	—	2,030,176
Warrants issued to settle liabilities	12 - 13	—	—	833,030	—	—	—	833,030
Share based compensation		—	—	—	112,355	—	—	112,355
Loss on settlement of liabilities	12	—	—	—	—	(1,848,118)	—	(1,848,118)
Net loss for the year		—	—	—	—	—	(1,458,261)	(1,458,261)
As at September 30, 2022		**23,006,591**	**12,058,002**	**833,030**	**953,293**	**(1,848,118)**	**(14,920,848)**	**(2,924,641)**

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

Biosenta Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars, unless otherwise stated)

	Notes	Year ended September 30, 2022 $	Year ended September 30, 2021 $
Operating activities			
Net loss and comprehensive loss for the year		**(1,458,261)**	(2,041,869)
Adjustments for items not affecting cash:			
Share based consultancy fee		—	101,000
Share based compensation		**112,355**	791,128
Write-down of inventory		**30,779**	7,946
Changes in working capital items:			
Inventory		**1,150**	(53,866)
Accounts receivable		—	1,639
Prepaid expenses		**27,134**	(69,060)
Other receivables		**(136,097)**	26,086
Accounts payable and accrued liabilities		**918,507**	564,709
Cash used in operating activities		**(504,433)**	(672,287)
Financing activities			
Loans and proceeds from issue of promissory notes	**10**	**(57,664)**	64,983
Advances from joint venture	**11**	**477,479**	326,971
Cash received on exercise of warrants		—	327,907
CEBA loan	**13**	—	20,000
Cash provided by financing activities		**419,815**	739,861
Net (decrease) increase in cash		**(84,618)**	67,574
Cash beginning of year		**111,881**	44,307
Cash end of year		**27,263**	111,881
Supplementary information			
Non - Cash activities			
Shares and warrants issued to settle liabilities		2,863,206	197,000

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

1. Nature of Operations and Going Concern

Biosenta Inc. (the "Company" or "Biosenta") is a public company, incorporated and domiciled in Canada, whose shares are listed on the Canadian Securities Exchange ("CSE") under the symbol "ZRO". The Company's registered address is 18 Wynford Drive, Suite 794, Toronto, Ontario, M3C 3S2. In 2011, the Company acquired the intellectual property rights to certain technology and processes relating to anti-microbial products with potential commercial and consumer applications. The Company is engaged in developing sales for *True* product lines and the development for commercial applications of its technology to produce an anti-microbial Tri-Filler product.

Going concern

During the year ended September 30, 2022, the Company reported net loss and comprehensive loss of $1,458,261(September 30, 2021 : $2,041,869) and a working capital deficit of $2,864,642 (September 30, 2021 : $2,533,824).

The ability of the Company to continue as a going concern is dependent upon the continuing financial support of shareholders or other investors, obtaining new financing on commercial terms acceptable to the Company to enable it to monetize its intellectual property assets, and upon attaining profitable operations once such assets can be monetized, all of which outcomes are uncertain and which represents material uncertainties, cast significant doubt over the ability of the Company to continue as a going concern. These consolidated financial statements do not include any adjustments to the carrying values of the Company's assets, liabilities, and expenses and the related classifications that would be necessary if the going concern assumption were inappropriate. Such adjustments have not been quantified by management, but could be material.

The Company funded its operations for the year ended September 30, 2022 from existing cash and advances from joint venture (See Note 9). The Company may not have sufficient cash reserves to fund its product development programs, administrative costs and other obligations for the coming fiscal year. Management is actively involved in developing and bringing their products to market, as well as seeking new debt and equity financing to enable it to service the Company's liabilities and its ongoing administrative costs. Management believes the Company will continue as a going concern due to the Company's ability to obtain funding through the issuance of debt and equity instruments.

2. Basis of Presentation

Statement of Compliance

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

The Board of Directors of the Company authorized these consolidated financial statements for issuance on January 27, 2023.

2. Basis of Presentation (continued)

Basis of preparation and presentation

These consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

Basis of consolidation

These consolidated financial statements include the accounts of the Company, which is incorporated in Canada, and its wholly-owned subsidiary, Biosenta U.S.A. Inc. which is incorporated in the United States. All inter-company balances and transactions are eliminated on consolidation. These consolidated financial statements include all assets, liabilities, expenses, and cash flows of the Company and its subsidiary after eliminating inter-company balances and transactions.

Covid-19 Pandemic

On March 11, 2020, the World Health Organization declared the ongoing COVID-19 outbreak as a global health emergency. This resulted in governments worldwide enacting emergency measures to combat the spread of the virus, including the closure of certain non-essential businesses.

During the year ended September 30, 2022, the pandemic did not have a material impact on the Company's operations. As at September 30, 2022, the Company did not observe any material impairment of its assets or a significant change in the fair value of assets due to the COVID-19 pandemic. The Company has taken steps to minimize the potential impact of the pandemic including safety measures with respect to personal protective equipment, the reduction in travel and the implementation of a virtual office including regular video conference meetings and participation in virtual Company events, trade shows, customer meetings and other virtual events.

Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company's business, financial position and operating results in the future. In addition, it is possible that estimates in the Company's financial statements will change in the near term as a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things, impairment of long-lived assets including intangibles and goodwill. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

3. Significant Accounting Policies

Significant accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates, and assumptions about future events that affect the amounts reported in the audited consolidated financial statements and related notes.

Although these estimates are based on management's best knowledge of the amount, event, or actions, actual results may differ from those estimates and these differences could be material.

3. Significant Accounting Policies (continued)

Significant accounting judgments, estimates and assumptions (continued)

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- Assets' carrying values and impairment charges
  In the determination of carrying values and impairment charges, management considers at the higher of recoverable amount or fair value less costs to sell in the case of assets, and at objective evidence of significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

- Income taxes and recoverability of potential deferred tax assets
  In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income is based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized.
  Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

- Share-based payments
  Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based share awards is determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Convertible debentures
  The Company has issued convertible debentures that are accounted for as compound financial instruments. The fair value of the embedded derivative in the convertible debentures (the conversion option) is estimated at the date of the transaction date using generally accepted valuation techniques. Assumptions are made and judgments are used in applying valuation techniques.

- Commitments and contingencies

Refer to Note 15.

3. Significant Accounting Policies (continued)

Significant accounting judgments, estimates and assumptions (continued)

- Going Concern
  Refer to Note 1.

(a) Inventory

Inventory is valued at the lower of cost and net realizable value, based on the "first in, first out" principle. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any required provision for obsolescence.

(b) Property and Equipment

Items of equipment are measured at cost less accumulated depreciation and any recognized impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When components of equipment have different useful lives, they are accounted for as separate items of property and equipment.

The Company commences recognition of depreciation when the item of equipment is ready for its intended use. Depreciation is recognized on the following bases:

- Furniture and equipment 20%
- Computer equipment 45%
- Leasehold improvements - lesser of lease term or useful life, straight line

Depreciation methods and useful lives are reviewed at each reporting date.

(c) Intangible Assets

Intangible assets with indefinite lives are not amortized, but are tested for impairment annually. Intangible assets which have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. The Company's perpetual, world-wide, exclusive license is classified as an indefinite life intangible asset.

(d) Impairment

None of the Company's non-financial assets generate independent cash inflows and therefore all non-financial assets are allocated to cash generating units ("CGU") for purposes of assessing impairment. CGUs are defined as the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Impairment losses are recognized when the carrying amount of a CGU exceeds the recoverable amount, which is the greater of the CGU's fair values less cost of disposal and its value in use. Value in use is the present

value of the estimated future cash flows from the CGU discounted using a pre-tax rate that reflects current market rates and the risks inherent in the business of each CGU. If the recoverable amount of the CGU is less than its carrying amount, the CGU is considered impaired and is written down to its recoverable amount.

3. Significant Accounting Policies (continued)

(d) Impairment (Continued)

The impairment loss is allocated to reduce the carrying amount of the assets of the unit, allocated pro-rata on the basis of the carrying amount of each asset.

Impairment losses of continuing operations are recognized in the consolidated statements of operations. A previously recognized impairment loss for non-financial assets, excluding goodwill, is reversed if there has been a change in the assumptions used to determine recoverable amount since the previous impairment loss was recognized. The carrying amount after the reversal cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

(e) Foreign currency translation

The functional currency of the Company and is the Canadian dollar. Monetary assets and liabilities of the Company are translated into Canadian dollars at exchange rates in effect at the reporting dates and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Transactions in foreign currencies are translated into the currency of measurement at the exchange rates in effect on the transaction date. Foreign exchange gains and losses arising are included in net loss for the year.

(f) Income taxes

Current tax
Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of operations because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or

substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Significant Accounting Policies (continued)

(f) Income taxes (continued)

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

(g) Share capital

Shares issued by the Company are recorded in the amount of the proceeds received, net of the after-tax cost of issuance.

The Company, from time to time, may repurchase its shares. When shares are repurchased, the amount of the consideration paid which includes directly attributable costs and is net of any tax effects, is recognized as a deduction from share capital. Any repurchased shares will be cancelled.

(h) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for its own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares. The diluted EPS calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

(i) Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities, including derivatives, are recognized when the Company becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. All financial instruments are measured at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as FVTPL, are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in the consolidated statements of operations and comprehensive loss.

Classification and subsequent measurement

The Company classifies financial assets, at the time of initial recognition, according to the Company’s business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified in the following measurement categories:

a) amortized cost (“AC”);

b) fair value through profit or loss (“FVTPL”); and
c) fair value through other comprehensive income (“FVTOCI”).

3. Significant Accounting Policies (continued)

(i) Financial instruments (continued)

Financial assets are subsequently measured at amortized cost if both the following conditions are met and they are not designated as FVTPL: a) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in the consolidated statements of operations and comprehensive loss in the period that the asset is derecognized or impaired. All financial assets not classified as amortized cost as described above are measured at FVTPL or FVTOCI depending on the business model and cash flow characteristics. The Company has no financial assets measured at FVTOCI.

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in the consolidated statements of operations and comprehensive loss in the period that the liability is derecognized, except for financial liabilities classified as FVTPL.

Financial instruments are classified into one of the following categories: FVTPL; financial assets at amortized cost, financial liabilities at amortized cost, and financial assets at FVTOCI.

Impairment of financial instruments – Expected credit losses (“ECL”)

For all financial assets recorded at amortized cost, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all accounts receivables based on the Company’s historical default rates over the expected life of the accounts receivable and is adjusted for forward-looking estimates. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed regularly.

All individually significant loan receivables are assessed for impairment. All individually significant loans receivable found not to be specifically impaired are then collectively assessed for impairment. Loans receivables not individually significant are collectively assessed for impairment by grouping together loans receivable with similar risk characteristics.

ECL are calculated as the product of the probability of default, exposure at default and loss given default over the remaining expected life of the receivables. No ECL has been recorded by the Company as all receivables are expected to be collected and are not significant.

3. Significant Accounting Policies (continued)

(i) Financial instruments (continued)

Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are recognized in the consolidated statements of operations and comprehensive loss.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of operations and comprehensive loss.

Impairment of non-financial assets

At each financial reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong.

(j) Share-based compensation

Share-based awards and payments
The Company grants stock options to directors, officers and employees. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. The grant date fair value of options is recognized as share-based payment expense, with a corresponding increase in equity, over the period that the individual becomes unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the number of share options for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of share options that do meet the related service and non-market performance conditions at the vesting date. Charges for options that are forfeited before vesting are reversed from share-based payment reserve. Upon the expiry of unexercised options or warrants, the amount expensed to the expiry date is transferred to retained earnings (deficit).

3. Significant Accounting Policies (continued)

(k) Revenue recognition policy

IFRS 15 – Revenue from contracts with customers ("IFRS 15") specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. The Company's accounting policy for revenue recognition under IFRS 15 is to follow a five-step model to determine the amount and timing of revenue to be recognized:

- Identifying the contract with a customer
- Identifying the performance obligations within the contract
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognizing revenue when/as performance obligation(s) are satisfied.

In some cases, judgement is required in determining whether the customer is a business or the end consumer. This evaluation was made on the basis of whether the business obtains control of the product before transferring to the end consumer. Control of the product transfers at a point in time either upon shipment to or receipt by the customer, depending on the contractual terms.

In determining the appropriate time of sale, the Company takes into consideration a) the Company's right to payment for the goods or services; b) customers legal title; c) transfer of physical possession of the goods; and d) timing of acceptance of goods.

The Company recognizes revenue in an amount that reflects the consideration that the Company expects to receive taking into account any variation that may result from rights of return.

(l) Related party transactions

A party is related to an entity if the party directly or indirectly controls, is controlled by or is under common control with the entity; or if it has an interest in the entity that gives it significant influence over the entity; or if it has joint control over the entity or is an associate or a joint venture of the entity. In addition, members and dependents of the key management personnel of the entity (Board of Directors and Executive Management Board) are also considered related parties.

(m) Joint Venture advances

Joint ventures advances comprise money received from one or more unaffiliated entities. The company invests these advances under terms requiring unanimous consent of all the parties (See Note 9).

The Company's interests in joint ventures are classified as obligation relating to investments in joint ventures and is accounted for using the equity method, with the Company's share of net losses and net liabilities separately disclosed in the statement of net loss and consolidated statement of financial position, in accordance with IFRS 11 'Joint Arrangements'.

3. Significant Accounting Policies (continued)

(m) Joint Venture advances (continued)

Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

(n) Leases

The Company assesses whether a contract is or contains a lease, at inception of a contract. Leases are recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. The finance cost is recognized in net finance costs in the consolidated statements of loss and comprehensive loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), variable lease payments that are based on an index or a rate or subject to a fair market value renewal, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. The Company allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components. The lease liability is net of lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the reasonably certain lease term, including renewal options that the Company is reasonably certain to exercise. Renewal options are included in a number of leases across the Company.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in the consolidated statements of operations and comprehensive loss. Short-term leases are leases with a lease term of 12 months or less. Variable lease payments that do not depend on an index or a rate or are not subject to a fair market value renewal are expensed as incurred and recognized in consolidated statements of loss and comprehensive loss.

Right-of-use assets are measured at cost which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

(o) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

3. Significant Accounting Policies (continued)

(o) Provisions (Continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

4. Recent Accounting Pronouncements

Standards, Amendments and Interpretations Issued but not yet effective

The following new standards, amendments and interpretations have been issued but are not effective for the year ending September 30, 2022 and, accordingly, have not been applied in preparing these consolidated financial statements.

Insurance Contracts

In May 2017, the International Accounting Standards Board ("IASB") issued IFRS 17 – Insurance Contracts ("IFRS 17"), which replaces IFRS 4 – Insurance Contracts and establishes a new model for recognizing insurance policy obligations, premium revenue, and claims-related expenses. In June 2020, the IASB issued 'Amendments to IFRS 17' to address concerns and implementation challenges identified after IFRS 17 was published in 2017. The amendments also deferred the effective date for two years to January 1, 2023. Early adoption is permitted. The Company is assessing the potential impact of this standard.

Improving accounting policy disclosures and clarifying distinction between accounting policies and accounting estimates (Amendments to IAS 1 and IAS 8)

In February 2021, the IASB issued narrow-scope amendments to IAS 1 Presentation of Financial Statements, IFRS Practice Statement 2 Making Materiality Judgments and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments to IAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company is assessing the potential impact of these amendments.

5. Inventory

Inventory is comprised of the following:

	As at September 30, 2022	As at September 30, 2021
	$	$
Raw materials and containers	**2,407**	25,267
Finished Goods	**42,770**	51,839
Closing balance	**45,177**	**77,106**

Included in other expenses was an amount of $30,779 (September 30, 2021: $704) which was written off against damaged inventory. The cost of inventory expensed and included in cost of sales was $423 during the year ended September 30, 2021 (September 30, 2021: $66,899).

6. Intangible assets

On June 7, 2011, the Company entered into an exclusive world-wide license agreement with Marcus Martin, a Director of the Company, with respect to certain intellectual property rights held by Mr. Martin relating to a process for the manufacture of anti-microbial filler product (the “MM License Agreement”). Effective October 3, 2011, the License Agreement was amended and restated to add Edward Pardiak, a former Director of the Company, as a co-licensor and was again amended and restated on April 10, 2012, to add 2320696 Ontario Inc. and 2262554 Ontario Inc., as co-licensors. Marcus Martin and Edward Pardiak, control 2320696 Ontario Inc. and 2262554 Ontario Inc., respectively through holding companies controlled by them.

The Company exercised its right to convert the interim license granted on June 7, 2011, as amended and restated, into an assignable, transferable, perpetual, world-wide exclusive license (the “License"). In connection with the exercise of the right to acquire the License, and in accordance with the terms of the MM License Agreement as amended, the Company issued fully paid and non-assessable Class A shares of the Company to the Licensors, valued at $1,606,500. The effective date for the issuance of the Class A shares and the acquisition of the License was April 10, 2012. The License was subject to royalties payable equal to 7% to 25%, based on gross margin, actually received by the Company on the sale of the licensed goods.

The shares were released in fiscal 2015. Under the terms of the license agreement, all patents, know-how and patent applications were assigned to the Company. All provisions of the License to which the Company is obligated to make payments to any of the licensors, including royalty payments, are void and the parties acknowledge that no further payments will be made in respect of the License. If the Company had failed to obtain adequate funding to build the Parry Sound production facility by December 31, 2015, the patents could revert to the licensors, however as at September 30, 2015, management believes this requirement has been met as the plant was finished such that material was produced from the plant for testing by prospective customers.

As at September 30, 2017, the Company had written-off the value of the corresponding equipment and leasehold improvements associated with this agreement.

6. Intangible assets (Continued)

As at September 30, 2018, management, based on its assessment of the recoverability of the carrying value of the intangible assets associated with this agreement, decided to write-down the asset value to $1 from $1,606,500. The impairment loss arising as a result, was reported on the Statement of Operations and Comprehensive Income (loss) during the year ended September 30, 2018.

7. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	As at September 30, 2022	As at September 30, 2021
	$	$
Trade payables	**752,698**	574,708
Payroll taxes payable	**169,174**	6,192
Sales tax recoverable	**(5,919)**	(4,020)
Accrued liabilties and other	**383,959**	819,613
	1,299,912	1,396,493

8. Loans and Promissory Notes payable

Loans consist of the following:

	As at September 30, 2022	As at September 30, 2021
	$	$
Loans	**29,442**	27,447
Addition during the period	**206,000**	—
Interest accrued during the period	**1,104**	1,995
Settled during the period	**(230,088)**	—
Closing balance	**6,458**	**29,442**

Loans of $6,458 to the Company from related parties are unsecured, non-interest bearing with no fixed terms of repayment.

During the year ended September 30, 2022, the Company received loans of $206,000 from various creditors and settled $230,088 of the outstanding loans and accrued interest thereon, by the issuance of 821,741 common shares and 410,871 warrants of the Company. Refer Note 12.

8. Loans and Promissory Notes payable (Continued)

Promissory Notes Payable

On January 28, 2021, the Company issued Promissory notes for gross proceeds of $85,000 to various investors including the President and CEO of the Company with an invested amount of $25,000. These notes are unsecured, carry interest at the rate of Prime rate plus 5% and are fully due and repayable on demand. The interest accrued on promissory notes for the year ended September 30, 2022 is $3,170 (September 30, 2021: $3,912).

In March 2022, the Company issued 135,180 common shares and 67,590 warrants to settle $37,850 of principal and accrued interest on promissory notes. Refer Note 12.

The following table summarizes the promissory notes outstanding as at September 30, 2022:

	As at September 30, 2022	As at September 30, 2021
	$	**$**
Opening balance	**62,988**	—
Addition during the year	—	85,000
Interest accrued during the year	**3,170**	3,912
Settled during the year	**(37,850)**	(25,924)
Closing balance	**28,308**	**62,988**

9. Joint venture advances

On February 23, 2018, the Company announced that it had signed a five-year agreement with certain secured creditors to promote, advertise, market, and grow the sales of its dry product Tri-Filler. The entity is based in Parry Sound, Ontario and is owned 51% by the creditors and 49% by the Company. The creditors will contribute funds to operate the entity and provide expertise to launch Tri-Filler, and, in return, the Company will license the intellectual property that pertains to Tri-Filler.

Initially, the investors are to receive 60% of operating profits until the amounts already invested by the investors have been repaid. Thereafter, the operating profits will be split 51% to the investors and 49% to the Company.

The investors make monthly advances to the Company of $20,000, until the entity is able to distribute profits. These advances shall be repaid to the investors, once the Company's share of profits exceeds $20,000 per month. As at the year ended September 2022, the advances received from investors was $1,531,950 (September 30, 2021 : $1,054,471)

In December, 2021, the Company agreed to pay interest at the rate of 8% per annum compounded from the date of advancement of funds by the investors, to finance the day-to-day operations of the Company. Accordingly, interest charges amounting to $6,445 (September 30, 2021: $Nil) have been recorded in the consolidated statements of operations and comprehensive loss for the year ended September 30, 2022. Interest charges amounting to $210,897 have been settled during the quarterly period ended March 31, 2022, by the issuance of 753,207 common shares and 376,604 warrants of the Company. Refer Note 12.

9. Joint venture advances (Continued)

The Company to proceed with the proposal to issue shares from treasury and issue warrants in return for three tranches of cash funding, to be paid over a period of three months, as follows:

- The subscription is set at a fixed price of $0.1 per share or 500,000 shares at for the first of three $50,000 tranches, with one half of a warrant for each share subscribed to at $0.20 per shares with an expiry date of 18 months from the closing of the tranche.
- The second 50,000 tranche would be identical to the first except for the closing and expiry dates of the warrants which are to be 24 months from the closing of the tranche.
- The third tranche $50,000 will have the same subscription price of $0.10 and warrant expiry date, except that the price of the warrant will be $0.25 per share for the remaining 250,000 shares.

The proposal will be effective after the company shares trading will be active in the exchange.

10. Related Party Transactions and Balances

The Company had the following related party transactions for the years ended September 30, 2022 and 2021. These transactions were in the normal course of operations and are measured at the exchange amount, which are the amounts agreed to by the related parties.

Compensation of key management personnel of the Company

The remuneration of directors and other key management personnel for the year is as follows:

	For the year ended September 30, 2022	For the year ended September 30, 2021
	$	$
Short-term compensation	**275,000**	275,000
Share-based compensation	**95,724**	758,001
Total	**370,724**	1,033,001

Short-term compensation includes salaries, bonuses, and allowances, employment benefits, and directors' fees.
As at September 30, 2022, the Company owes $455 (September 30, 2021 : $316) to the president and CEO of the Company. Loans of $6,458 to the Company from related parties are unsecured and non-interest bearing with no fixed terms of repayment.

During the year ended September 30, 2022, the Company obtained a loan of $150,000 from a related party which is unsecured with an interest rate of 10% and no fixed terms of repayment. The Company also obtained

a loan of $56,000 from the President and CEO of the Company which is unsecured and interest-free. The Company settled these loans by issuing 821,741 common shares and 410,871 warrants. Refer Note 12.

The Company issued promissory notes in January 2021 as mentioned in Note 8 above. The President and CEO of the Company have also invested $25,000 in these promissory notes which carry interest at the rate of Prime plus 5%, are unsecured and fully due, and repayable on demand. In March 2022, the Company issued 96,557 common shares and 48,278 warrants to the President and CEO of the Company to settle the promissory note with accrued interest thereon. The Company also issued 1,689,157 common shares and 844,579 warrants to the President and CEO of the Company to settle outstanding compensation of $472,964.

10. Related Party Transactions and Balances (Continued)

The Company in aggregate issued 3,625,315 common shares with a total fair value of $2,030,177 and 1,812,658 warrants with an estimated fair value of $833,030 expiring in 18 months from the date of issue (September 22, 2023) to settle $1,015,088 of loans and accrued liabilities due to related parties. The Company has recorded a loss on settlement of liabilities of $1,848,118 under equity in its consolidated statements of changes in equity for the year ended September 30, 2022. Refer Note12.

11. CEBA loan

In 2020, the Company availed the RBC Canada Business Account revolving credit line, to a maximum of $60,000 under the Canada Emergency Business Account (CEBA) program funded by the Government of Canada. The loan is unsecured and non-interest bearing with no required repayment until December 31, 2023. Loan forgiveness of up to a third of the value of the loans to a maximum amount of $20,000 will be applicable if the loan balance is repaid on or before December 31, 2023. Any unpaid balance at December 31, 2023, will be converted to a two year term loan on January 1, 2024 at 5% interest payable monthly. The full amount of the loan (including principal and interest) is due and payable on December 31, 2025.

12. Share Capital

Authorized:

The Company is authorized to issue an unlimited number of:

Class A shares, voting and participating.

Class B shares, voting, redeemable at any time at the option of the Company for an amount equal to the fair value of the consideration received at issuance.

Class C preferred shares issuable in series with the following to be fixed with each series: number of shares, designation, rights, privileges, restrictions and conditions including dividend rate and calculation method and payment dates, the redemption, purchase and/or conversion prices, terms of redemption, purchase and/or conversion, any sinking fund or other provisions, may be convertible into Class A shares and voting unless otherwise determined.

Issued and outstanding: Class A Shares

	Number of shares	Amount
Balance, September 30, 2021	19,381,276	$ 10,027,826
Shares issued to settle liabilities	3,625,315	2,030,176
Balance, September 30, 2022	23,006,591	$ 12,058,002

On March 21, 2022, the Company issued common shares and warrants to settle its liabilities as follows:

a) The Company issued 1,985,714 common shares at a deemed issue price of $0.28 per common share and 992,857 warrants to the President and CEO of the Company. Each warrant is exercisable into one common share of the company at a price of $0.56 per common share for a period of 18 months from the date of issue.

12. Share Capital (Continued)

The fair value of common shares was determined to be $1,112,000 based on the share price as of the issuance date. The fair value of the warrants was estimated to be $456,714 using the Black Scholes valuation model using the following assumptions: stock price of $0.56; expected maturity in 1.5 years; $nil dividends; 217.79% volatility; risk-free interest rate of 2.03%; and the exercise price of $0.56.

The detail of the issuance is as follows:

(i) 96,557 common shares and 48,279 warrants were issued to settle promissory notes of $25,000 and $2,036 of accrued interest thereon;

(ii) 1,689,157 common shares and 844,578 warrants were issued to settle accrued liability of $472,964 towards compensation; and

(iii) 200,000 common shares and 100,000 warrants were issued to settle $56,000 of interest-free loan.

b) The Company issued 38,623 common shares and 19,311 warrants at a deemed issue price of $0.28 per common share to a related party of the Company to settle a promissory note of $10,000 and interest accrued thereon of $814. Each warrant is exercisable into one common share of the company at a price of $0.56 per common share for a period of 18 months from the date of issue. The fair value of common shares was determined to be $21,629 based on the share price as of the issuance date. The fair value of the warrants was estimated to be $8,883 using the Black Scholes valuation model using the following assumptions: stock price of $0.56; expected maturity in 1.5 years; $nil dividends; 217.79% volatility; risk-free interest rate of 2.03%; and the exercise price of $0.56.

c) The Company issued 226,030 common shares and 113,015 warrants at a deemed issue price of $0.28 per common share to a related party of the Company to settle liabilities of $63,289. Each warrant is exercisable into one common share of the company at a price of $0.56 per common share for a period of 18 months from the date of issue. The fair value of common shares was determined to be $126,577 based on the share price as of the issuance date. The fair value of the warrants was estimated to be $51,987 using the Black Scholes valuation model using the following assumptions: stock price of $0.56; expected maturity in 1.5 years; $nil dividends; 217.79% volatility; risk-free interest rate of 2.03%; and the exercise price of $0.56.

d) The Company issued 621,741 common shares and 310,871 warrants at a deemed issue price of $0.28 per common share to a related party of the Company to settle a loan of $170,000 and accrued interest of $4,088. Each warrant is exercisable into one common share of the company at a price of $0.56 per common share for a period of 18 months from the date of issue. The fair value of common shares was determined to be $348,175 based on the share price as of the issuance date. The fair value of the warrants was estimated to be $142,208 using the Black Scholes valuation model using the following assumptions: stock price of $0.56; expected maturity in 1.5 years; $nil dividends; 217.79% volatility; risk-free interest rate of 2.03%; and the exercise price of $0.56.

e) The Company issued 753,207 common shares and 376,604 warrants at a deemed issue price of $0.28 per common share to its related parties to settle accrued interest on JV advances of $210,897. Each warrant is exercisable into one common share of the company at a price of $0.56 per common share for a period of 18 months from the date of issue.

12. Share Capital (Continued)

The fair value of common shares was determined to be $421,796 based on the share price as of the issuance date. The fair value of the warrants was estimated to be $173,238 using the Black Scholes valuation model using the following assumptions: stock price of $0.56; expected maturity in 1.5 years; $nil dividends; 217.79% volatility; risk-free interest rate of 2.03%; and the exercise price of $0.56.

The Company in aggregate issued 3,625,315 common shares with a total fair value of $2,030,177 and 1,812,658 warrants with an estimated fair value of $833,030 expiring in 18 months from the date of issue (September 22, 2023) to settle $1,015,088 of loans and accrued liabilities due to related parties. The Company has recorded the loss on settlement of liabilities of $1,848,118 under equity in its consolidated statements of changes in equity for the year ended September 30, 2022.

13. Warrant Reserves

The Company issued 1,812,658 warrants with an estimated fair value of $833,030 expiring on September 22, 2023 to settle loans and accrued liabilities due to related parties (See Note 12). The fair value of the warrants was estimated using the Black Scholes valuation model using the following assumptions: stock price of $0.56; expected maturity in 1.5 years; $nil dividends; 217.79% volatility; risk-free interest rate of 2.03%; and the exercise price of $0.56. The following table shows the schedule of warrants for the year ended September 30, 2022:

	No. of warrants	Amount
	#	$
Balance at September 30, 2021	—	—
Warrants issued during the year	1,812,658	833,030
Balance at September 30, 2022	1,812,658	833,030

The following table summarizes warrants outstanding as at September 30, 2022:

Expiration Date	Warrants outstanding	Remaining contractual life
September 2023	1,812,658	0.98
Total	**1,812,658**	**0.98**

14. Equity Reserves

The Company has a stock option plan (the "Plan"), under which the Company may grant options to directors, officers, employees, and third-party service providers. Under the terms of the Plan that was approved by the shareholders on May 24, 2012, the Company is authorized to issue a maximum of 10% of the issued and outstanding shares.

14. Equity Reserves (Continued)

The purpose of the Plan is to attract, retain and motivate directors, officers, and certain third-party service providers by providing them with the opportunity to acquire a proprietary interest in the Company and benefit from its growth. The options granted under the Plan are non-assignable, have a term of 5 years and vest over periods of up to three years from the date of issue.

During the year ended September 30, 2022, no stock options were granted under the Plan. The following is a schedule of outstanding options:

	September 30, 2022		September 30, 2021	
	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price
	#	$	#	$
Opening balance	1,367,000	0.68	—	—
Issued during the year	—	—	1,367,000	0.68
Closing balance	**1,367,000**	**0.68**	1,367,000	0.68

The following table summarizes the stock options outstanding as at September 30, 2022:

Expiration Date	Stock options outstanding	Stock options exercisable	Remaining contractual life
February 2026	350,000	325,706	3.42
May 2026	1,017,000	1,017,000	3.59
Total	**1,367,000**	**1,342,706**	

15. Commitments and Contingencies

Commitments

The Company has a rent agreement in Canada with Barracuda Wellsite Management on a monthly rental of $1,500 per month. This rental agreement is based on a month to month basis.

On September 14, 2020, the Company finalized a strategic royalty bearing licensing partnership with Kleen Bee Labs, a corporation formed under the laws of California. This license will give the rights for distribution of DualXtiv, a broad spectrum anti-microbial disinfectant to club level, mass grocery and retail chains across North America. The distributor will cover all costs associated with marketing, warehousing, transportation logistics, and retail space fee. In consideration of rights granted to the Licensee, the Licensee will pay the Licensor a running royalty equivalent to no less than forty cents (US $0.40) per gallon of Licensed product supplied by the Approved manufacturer to the Licensee plus Taxes. The Royalties will be adjusted for inflation on an annual basis.

On September 24, 2020, the Company entered into a four year research partnership with the University of Calgary Research Group and AMPAK Inc. from Toronto, Ontario.

15. Commitments and Contingencies (continued)

Commitments (continued)

The goal of the partnership is to standardize the production process of the Company's patented two-part, food-grade nanoparticles called Tri-filler which not only has the attributes of being anti-microbial, but also strength enhancement and fire-retardant capabilities. Under the terms of the agreement, the following contributions will be payable to the University:

- $37,500 upon execution of the Agreement and issuance of invoice by the University
- $37,500 upon issuance of an invoice no earlier than September 15, 2021
- $37,500 upon issuance of an invoice no earlier than September 15, 2022; and
- $37,500 upon issuance of an invoice no earlier than September 15, 2023

The Company has paid the first two installments due to the University of Calgary amounting to $75,000.

The Company has also entered into a Revenue sharing agreement with the University of Calgary through its innovation transfer and business incubation center UTI Limited Partnership (ULP). Pursuant to the Research agreement, the Company will own Research Results arising from the Project and in consideration for the University assigning its rights in the Research Results to the Company, the Company will pay ULP :

- Revenue sharing payments equal to one and one-half percent (1.5%) of Net Sales; plus
- Revenue sharing payments equal to ten percent (10%) of Licensing Revenue.

Other Contingencies

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At September 30, 2022, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates are an adverse party or have a material interest adverse to the Company's interest.

16. Financial Risk Factors

The Company's financial instruments mainly comprise of cash and other receivables, accounts payable and accrued liabilities, payable from restructuring proposal, loans and promissory notes payable and joint venture advances.

Fair Value

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

16. Financial Risk Factors (Continued)

Fair Value (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which there is sufficient data with unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

16. Financial Risk Factors (Continued)

Fair Value (continued)

The classification of financial instruments at their carrying and fair values is as follows:

	Carrying values			Fair values
Financial assets	**FVTPL**	**FVTOCI**	**Total**	**Total**
September 30, 2022	**$**	**$**	**$**	**$**
Cash	**27,263**	—	**27,263**	**27,263**
Other receivables	**139,214**	—	**139,214**	**139,214**
	166,477	—	**166,477**	**166,477**
September 30, 2021	$	$	$	$
Cash	111,881	—	111,881	111,881
Other receivables	3,117	—	3,117	3,117
	114,998	—	114,998	114,998

	Carrying values			Fair values
Financial liabilities	**FVTPL**	**Amortised cost**	**Total**	**Total**
September 30, 2022	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	—	**1,299,912**	**1,299,912**	**1,299,912**
Payable from restructuring proposal	—	**254,092**	**254,092**	**254,092**
Loans and promissory notes payable	—	**34,766**	**34,766**	**34,766**
Joint venture advances	—	**1,531,950**	**1,531,950**	**1,531,950**
	—	**3,120,720**	**3,120,720**	**3,120,720**
September 30, 2021	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	—	1,396,493	1,396,493	1,396,493
Payable from restructuring proposal	—	254,092	254,092	254,092
Loans	—	92,430	92,430	92,430
Joint venture advances	—	1,054,471	1,054,471	1,054,471
	—	2,797,486	2,797,486	2,797,486

There were no transfers between levels in the hierarchy. For financial assets and liabilities not measured at fair value, their carrying value approximates fair value due to their short-term nature and market terms.

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. There have been no changes to the Company's exposure to risks in respect of its financial instruments, and there have been no changes in respect of management's objectives, policies and processes in the management of its financial instruments from that of prior reporting period.

16. Financial Risk Factors (continued)

Fair Value (continued)

Credit risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and other receivables. To address its credit risk arising from cash, the Company ensures to keep these balances with financial institutions of high repute. The Company has not recorded an ECL as all amounts are considered to be recoverable and are immaterial. The Company is not significantly exposed to its other receivables. As at September 30, 2022 and September 30, 2021 the maximum amount exposed to credit risks was $139,214 and $3,117, respectively.

Liquidity risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash in a cost-effective manner to fund its obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages liquidity risk through obtaining financing from its members, third parties and joint venture. As at September 30, 2022, all accounts payables and accrued liabilities are due within a year.

Market risk - Interest rate risk

The Company's current policy is to invest excess cash in investment-grade, short-term deposit certificates issued by its banking institutions. Interest rate risk is the risk that the value of financial instruments will fluctuate due to change in market interest rates. As at September 30, 2022, all of the company's financial instruments are either non-interest bearing or bear interest at fixed rates.

17. Capital Management

Capital is defined as share capital and equity reserve. The Company's objectives when managing capital are to maintain an appropriate balance between holding a sufficient amount of capital to support its operations as a

going concern, and providing shareholders with a prudent amount of leverage, as and when required, to enhance returns. There have been no changes since the prior year.

The intellectual property in which the Company has acquired through a license agreement is currently in the development stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurances that the Company will be able to continue raising equity capital in this manner.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term guaranteed deposits, all held with major Canadian financial institutions.

The Company is not subject to any regulatory or contractual capital obligations of material consequence.

18. Income Taxes

a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (September 30, 2021 - 26.5%) were as follows:

	September 30, 2022 $	September 30, 2021 $
Loss before recovery of income taxes	(1,458,261)	(2,041,869)
Expected income tax (recovery) expense	(386,439)	(541,095)
Increase (decrease) in taxes resulting from:		
Tax benefits not realized	386,439	541,095
Deferred income tax (recovery) expense	—	—

b) Deferred Income Taxes Assets

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	September 30, 2022 $	September 30, 2021 $
Non-capital losses	13,170,810	11,708,264
Share issue costs	11,923	16,208

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 and its subsidiary will be able to utilize the benefits. As at September 30, 2022 non-capital losses will expire at various dates between 2034 through 2042. All other temporary differences can be carried forward indefinitely under certain circumstances.

19. Subsequent Events

The Company has evaluated subsequent events through January 27, 2023 which is the date of the consolidated financial statements were issued and determined the following event. The Company has signed a milestone Memorandum of Understanding on October 5, 2022 with Voran Group Ventures Ltd. which will lead the way for the commercialization of the Company's Tri-Filler ^{R} antimicrobial products in Canadian markets and worldwide.