ocumetics
TECHNOLOGY CORP

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023
AND DECEMBER 31, 2022

(Expressed in Canadian Dollars)

To the Shareholders of Ocumetics Technology Corp.:

Opinion

We have audited the financial statements of Ocumetics Technology Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2023 and December 31, 2022, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and December 31, 2022, and its financial performance and its 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 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 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 financial statements, which indicates that the Company has incurred a net loss and negative cash flows from operations during the year ended December 31, 2023 and, as of that date, the Company has an accumulated deficit and negative working capital. 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Capitalization of expenditures related to intangible assets

Key Audit Matter Description

The Company capitalizes certain expenditures related to development of the intraocular lens technology as intangible assets on the statement of financial position. Management uses significant judgement when determining when development costs are capitalized and assess whether the expenditures can be reliably measured, the technology is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the product. We refer to Notes 3 and 5 for description of the accounting policy, judgement and details of the intangible asset.

We identified the capitalization of development expenditures related to the technology as a key audit matter given the significance of the intangible asset to the Company and the significant auditor judgement required in evaluating the Company's assessment of meeting the criteria to capitalize certain costs.

Audit Response

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

- Obtained an understanding of the Company's controls and tested the design and implementation of those controls, including those related to management's process for reviewing and approving expenditures related to the technology;
- Evaluated the ability to generate future economic benefits by comparison to current and past business plans and cash flow projections;
- Evaluated the technical feasibility through assessment of the status and progress of the technology;
- Evaluated the sufficiency of financial resources to complete the project through review of cash flow projections and availability of sources of financing; and
- Selected a sample of expenditures capitalized to intangible assets and evaluated whether those costs fulfilled the capitalization criteria by reviewing supporting documentation such as invoices from third party service providers.

Other Information

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

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

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Calgary, Alberta

MNP LLP

April 10, 2024

Chartered Professional Accountants

OCUMETICS TECHNOLOGY CORP.
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31
(All amounts expressed in Canadian dollars unless indicated otherwise)

	2023	2022
	$	$
Assets		
Current assets		
Cash	**235,829**	602,087
Amounts receivable	**-**	1,266
Goods and services tax receivable	**44,272**	40,079
Prepaid expenses and deposits	**30,900**	29,547
Total current assets	**311,001**	672,979
Non-current assets		
Equipment (Note 4)	**67,879**	-
Intangible assets (Note 5)	**657,553**	700,878
Total assets	**1,036,433**	1,373,857
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	**546,935**	167,356
Due to related parties (Note 6)	**76,754**	76,754
	623,689	244,110
Non-current liabilities		
Promissory note (Note 6)	**321,640**	292,342
Total liabilities	**945,329**	536,452
Shareholders' equity		
Share capital (Note 7)	**7,451,441**	5,356,195
Commitment to issue shares (Note 11)	**160,000**	45,000
Warrants reserve (Note 7)	**260,819**	-
Contributed surplus	**1,396,485**	970,210
Deficit	**(9,177,641)**	(5,534,000)
Total shareholders' equity	**91,104**	837,405
Total liabilities and shareholders' equity	**1,036,433**	1,373,857

Going concern (Note 1)
Subsequent event (Note 11)

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

Approved and authorized for issuance on behalf of the Board of Directors on April 10, 2024.

/s/ Garth Webb
Garth Webb, Director

/s/ Roger Jewett
Roger Jewett, Director

OCUMETICS TECHNOLOGY CORP.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND DECEMBER 31, 2022
(All amounts expressed in Canadian dollars unless indicated otherwise)

	2023 **$**	2022 $
Expenses		
Consulting fees (Note 6)	**1,618,683**	706,731
Research and development	**907,426**	555,700
Share-based compensation (Note 7)	**491,091**	485,940
Professional fees	**132,059**	114,480
Office and general	**121,687**	80,548
Amortization (Note 4,5)	**117,620**	102,206
Marketing	**173,556**	57,730
Listing costs	**-**	39,335
Patent fees	**43,853**	36,776
Accretion (Note 6)	**29,298**	26,629
Foreign exchange loss	**8,368**	13,872
Total expenses	**3,643,641**	2,219,947
Net loss and comprehensive loss	**(3,643,641)**	(2,219,947)
Net loss per share		
Basic and diluted (Note 7)	**(0.03)**	(0.02)
Weighted average number of common shares outstanding	**115,373,376**	109,718,687

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

OCUMETICS TECHNOLOGY CORP.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND DECEMBER 31, 2022
(All amounts expressed in Canadian dollars unless indicated otherwise)

	Number of Shares	Share Capital $	Commitment to issue shares $	Warrants Reserve $	Contributed surplus $	Deficit $	Total Equity $
Balance, December 31, 2021	108,513,302	4,914,570	-	19,206	507,338	(3,314,053)	2,127,061
Exercise of options	250,000	54,318	-	-	(23,068)	-	31,250
Exercise of warrants	2,428,248	387,307	-	(19,206)	-	-	368,101
Commitment to issue shares	-	-	45,000	-	-	-	45,000
Share-based payments	-	-	-	-	485,940	-	485,940
Net loss for the year	-	-	-	-	-	(2,219,947)	(2,219,947)
Balance, December 31, 2022	111,191,550	5,356,195	45,000	-	970,210	(5,534,000)	837,405
Shares issued	6,544,554	1,995,289	(45,000)	260,819	-	-	2,211,108
Shares issuance costs	-	(52,984)	-	-	-	-	(52,984)
Exercise of options	730,000	152,941	-	-	(64,816)	-	88,125
Commitment to issue shares	-	-	160,000	-	-	-	160,000
Share-based payments	-	-	-	-	491,091	-	491,091
Net loss for the year	-	-	-	-	-	(3,643,641)	(3,643,641)
Balance, December 31, 2023	**118,466,104**	**7,451,441**	**160,000**	**260,819**	**1,396,485**	**(9,177,641)**	**91,104**

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

OCUMETICS TECHNOLOGY CORP.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND DECEMBER 31, 2022
(All amounts expressed in Canadian dollars unless indicated otherwise)

	2023 **$**	2022 $
Cash flows provided by (used in):		
Operating activities		
Net loss	**(3,643,641)**	(2,219,947)
Items not affecting cash:		
Amortization (Note 4,5)	**117,620**	102,206
Share-based compensation (Note 7)	**491,091**	485,940
Shares issued for retention and settlement (Note 7)	**584,000**	-
Accretion (Note 6)	**29,298**	26,629
Changes in non-cash working capital:		
Amounts receivable	**1,266**	(1,266)
Goods and services tax receivable	**(4,193)**	11,760
Prepaid expenses and deposits	**(1,353)**	(6,762)
Accounts payable and accrued liabilities	**379,579**	(17,116)
Net cash used in operating activities	**(2,046,333)**	(1,618,556)
Investing activities		
Purchase of equipment (Note 4)	**(75,421)**	-
Payments for intellectual property (Note 5)	**(3,619)**	(12,229)
Payments for patents (Note 5)	**(63,134)**	(54,595)
Net cash used in investing activities	**(142,174)**	(66,824)
Financing activities		
Net proceeds from issuance of shares (Note 7)	**1,627,108**	-
Share issuance costs (Note 7)	**(52,984)**	-
Commitment to issue shares (Note 11)	**160,000**	45,000
Proceeds from warrants exercised (Note 7)	**-**	368,101
Proceeds from options exercised (Note 7)	**88,125**	31,250
Cash provided by financing activities	**1,822,249**	444,351
Change in cash	**(366,258)**	(1,241,029)
Cash, beginning of year	**602,087**	1,843,116
Cash, end of year	**235,829**	602,087

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

1. Nature of Operations and Going Concern

Ocumetics Technology Corp. (formerly Quantum Blockchain Technologies Ltd.) (the "Company") was incorporated on February 5, 2018 under the Business Corporations Act of Alberta. Its current focus is to develop an accommodating intraocular lens to eliminate the need for corrective lenses, especially for people over 45 years of age. The Company's registered office is located at 1250, 639-5th Avenue SW, Calgary, Alberta T2P 0M9. The Company changed its name from Quantum Blockchain Technologies Ltd. ("Quantum") to Ocumetics Technology Corp. on August 27, 2021 and is listed on the TSX Venture Exchange (the "Exchange") under the symbol "OTC" as well as the Frankfurt exchange (FRA: 2QBO) and the OTC QB Market (OTCQB: OTCFF).

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2023, the Company has not generated any revenues from operations and for the year ended December 31, 2023 has incurred a net loss of $3,643,641 and negative cash flows from operations of $2,046,333, and has an accumulated deficit of $9,177,641 and negative working capital of $312,688. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability to raise equity or debt financing, and the attainment of profitable operations from the Company's future business. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern, such adjustment could be material.

2. Basis of Presentation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented.

These financial statements were authorized for issue by the Board of Directors on April 10, 2024.

(b) Basis of preparation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, except for certain financial assets and liabilities measured at fair value. The functional and presentation currency of the Company is the Canadian dollar.

The preparation of the financial statements requires that management make estimates, judgments, and assumptions based on available information. Accordingly, actual results may differ from estimates as future confirming events occur. Significant estimates and judgments used in the preparation of the financial statements are disclosed in Note 3.

3. Material Accounting Policies

(a) Significant accounting estimates and judgments

The preparation of these financial statements in conformity with IFRS requires the Company's management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates.

3. Material Accounting Policies (continued)

Estimates, judgments, and underlying assumptions are reviewed on an ongoing basis and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Estimates

Critical estimates exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

<u>Share-based payment transactions</u>

The Company uses the Black-Scholes Option Pricing Model to determine the fair value of stock options and share purchase warrants issued. This model requires the input of subjective assumptions including expected share price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings (loss) and equity reserves.

<u>Taxes</u>

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all 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 provisions in the period in which such determination is made.

<u>Useful lives of intangible assets</u>

Following initial recognition, the Company carries the value of intangible assets at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded on a straight-line basis based upon management's estimate of the useful life and residual value. The estimates are reviewed at least annually and are updated if expectations change as a result of technical obsolescence or legal and other limits to use.

<u>Estimated useful lives and depreciation of equipment</u>

Depreciation of equipment is dependent upon and estimate of the useful life of equipment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

<u>Market interest rate</u>

The Company makes estimates relating to the selection of an appropriate market rate of interest to discount non-interest or low interest rate loans.

Judgments

The key areas of judgment that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

<u>Going concern</u>

The assessment of the Company's ability to continue as a going concern involves management judgement about the Company's resources and future prospects. In assessing whether this assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company's own resources and external market conditions.

3. Material Accounting Policies (continued)

Impairment of intangible assets

The application of the Company's accounting policy for intangible assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, events or changes in circumstances indicate that the carrying amount may not be recoverable, the amount capitalized is written off in profit or loss in the period the new information becomes available.

Upon retirement or disposal, the cost of the asset disposed of and the related accumulated amortization are removed from the accounts and any gain or loss is reflected in profit or loss.

Taxes

The Company recognizes deferred tax assets to the extent that it is probable that future taxable profits will be available to utilize the Company's deductible temporary differences which are based on management's judgment on the degree of future taxable profits. To the extent that future taxable profits differ significantly from the estimates impacts the amount of the deferred tax assets management judges is probable.

(b) Cash

Cash and cash equivalents are comprised of cash in banks and all short-term investments that are highly liquid in nature, cashable, and have an original maturity date of three months or less.

(c) Equipment

Equipment is recorded at cost, net of accumulated depreciation and any accumulated impairment losses. Expenditures that materially increase the life of the assets are capitalized. Ordinary repairs and maintenance are expensed as incurred. Depreciation is calculated on a declining balance basis at 20% per annum which estimates the equipment's life.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate. An item of equipment is de-recognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is include in loss and comprehensive loss in the year the asset is derecognized.

(d) Intangible assets

Intangible assets including intellectual property are measured at cost less accumulated amortization and accumulated impairment losses. Initial costs and subsequent costs that increase the expected future economic benefits incurred under the license agreement and intellectual property are capitalized and amortized from the date of capitalization on a straight-line basis over their estimated useful lives determined based on the expiry of the key patents underlying the intellectual property. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. If, after expenditures are capitalized, events or changes in circumstances indicate that the carrying amount may not be recoverable, the amount capitalized is written off in profit or loss in the period the new information becomes available.

Patents comprises patents which are in the application process and are pending the grant and registration of the patent. Amortization commences upon successful completion of the patent application, being the patent grant date.

As at December 31, 2023, the estimated remaining useful life of the intangible assets was approximately 4.6 years.

Upon retirement or disposal, the cost of the asset disposed of and the related accumulated amortization are removed from the accounts and any gain or loss is reflected in profit or loss.

3. Material Accounting Policies (continued)

(e) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

(f) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the respective instrument. At initial recognition, the Company measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

<u>Financial assets</u>

The Company will classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, based on its business model for managing the financial asset and the financial asset's contractual cash flow characteristics. The three categories are defined as follows:

Amortized cost - a financial asset is measured at amortized cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- 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.

The Company's amounts receivable and goods and services taxes receivable are measured at amortized cost.

Fair value through other comprehensive income ("FVTOCI") - financial assets are classified and *measured* at FVTOCI if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. The Company does not have any financial assets classified as FVTOCI.

Fair value through profit or loss ("FVTPL") - any financial assets that are not held in one of the two business models mentioned are measured at FVTPL. The Company's cash are classified as FVTPL.

When, and only when, the Company changes its business model for managing financial assets it must reclassify all affected financial assets.

3. Material Accounting Policies (continued)

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For the periods presented, the Company did not record any expected credit loss.

Financial liabilities

The Company's financial liabilities include accounts payable and accrued liabilities, promissory note and due to related parties. The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

FVTPL – This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of loss and comprehensive loss. The Company does not have any financial liabilities measured at FVTPL.

Amortized cost – Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The Company's accounts payable and accrued liabilities, promissory note and due to related parties are classified at amortized cost.

After initial recognition, an entity cannot reclassify any financial liability.

(g) Foreign currency translation

The functional and reporting currency is the Canadian dollar. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Revenue and expenses are translated at average rates for the periods. Foreign exchange gains and losses are included in the statements of loss and comprehensive loss.

(h) Taxes

Current tax

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

3. Material Accounting Policies (continued)

Deferred tax

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

(i) Share-based payments

The grant date fair value of share-based payment awards granted to employees is recognized as stock-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

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

(j) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(k) Loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share is the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

(All amounts expressed in Canadian dollars unless indicated otherwise)

3. Significant Accounting Policies (continued)

(l) Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

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

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit and is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

(m) Accounting standards issued but not yet effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended December 31, 2023, and have not been early adopted in preparing these financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. Equipment

	Equipment $
Costs:	
Balance, December 31, 2022	-
Additions	75,421
Balance, December 31, 2023	**75,421**
Accumulated Depreciation:	
Balance, December 31, 2022	-
Depreciation	7,542
Balance, December 31, 2023	**7,542**
Net Book Value:	
Balance, December 31, 2022	-
Balance, December 31, 2023	**67,879**

5. Intangible Assets

On April 12, 2012, Ocumetics entered into an Amended and Restated License Agreement ("License Agreement") with Ventura Holding Ltd. ("Ventura"), a related party with certain common shareholders (Note 6), for the worldwide and exclusive right to utilize novel technologies, comprising intuitive suspension systems for accommodating and fixed focus lenses and related patents and improvements (the "Intellectual Property"). The License Agreement set out the consideration as follows:

- an initial lump sum payment of $500,000 which amount shall be paid within 12 months from the achievement of Commercialization. Under the License Agreement, Commercialization is achieved when Ocumetics has sold at least 1,000 units per month to paying third-party customers for at least nine consecutive months, or at least 6,000 units, in the aggregate, over a nine-month period;
- 5,700,000 Common shares of Ocumetics plus accumulated legal fees and other fees and expenses relating to the development, registration and maintenance of the Intellectual Property prior to April 12, 2012;
- from time to time as accrued by Ventura, the total amount of all accumulated legal fees and other fees and expenses of relating to the development, registration and maintenance of any Intellectual Property; and,
- an annual royalty of 1% of the Ocumetics net income derived from the rights granted under the License Agreement to the Intellectual Property, calculated based on the fiscal year of Ocumetics and payable within two months after the end of each fiscal year in immediately available funds.

On January 28, 2021, Ocumetics purchased the Intellectual Property from Ventura pursuant to the Amended and Restated Intellectual Property Transfer Agreement between Ventura and Ocumetics dated January 28, 2021 (the "IP Transfer Agreement") for a purchase price of $500,000 that was paid through the issuance of a non-interest-bearing promissory note secured against the Intellectual Property (the "Promissory Note") repayable 12 months after the achievement of Commercialization. Upon the occurrence of an event of default under the Promissory Note, the Principal Amount shall be immediately due and payable in full and Ventura shall be entitled to enforce its security. Ocumetics and Ventura also entered into royalty agreement for the payment to Ventura of royalties of 2% of net sales derived from the Intellectual Property (the "Royalty Agreement"). The License Agreement was terminated upon the transfer of the Intellectual Property under the IP Transfer Agreement. The $500,000 that was due under the License Agreement was replaced by the Promissory Note and the 1% royalty that was due under the License Agreement was replaced by the 2% royalty payable under the Royalty Agreement. As at December 31, 2023, Ocumetics has not yet derived any income subject to the royalty fee and as such no liability or commitment has been recorded in this regard.

(All amounts expressed in Canadian dollars unless indicated otherwise)

5. **Intangible Assets** (continued)

The following is a continuity schedule of intangible assets:

	Intellectual Property $	Patents $	Total $
Cost:			
Balance, December 31, 2021	1,210,242	107,849	1,318,091
Additions	12,229	54,595	66,824
Patents granted	12,529	(12,529)	-
Balance, December 31, 2022	1,235,000	149,915	1,384,915
Additions	3,619	63,134	66,753
Patents granted	48,868	(48,868)	-
Balance, December 31, 2023	**1,287,487**	**164,181**	**1,451,668**
Accumulated amortization:			
Balance, December 31, 2021	581,831	-	581,831
Additions	102,206	-	102,206
Balance, December 31, 2022	684,037	-	684,037
Additions	110,078	-	110,078
Balance, December 31, 2023	**794,115**	**-**	**794,115**
Net book value:			
Balance, December 31, 2021	628,411	107,849	736,260
Balance, December 31, 2022	550,963	149,915	700,878
Balance, December 31, 2023	**493,372**	**164,181**	**657,553**

6. Related Party Transactions and Balances

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Key management compensation

The Company has identified its directors and certain senior officers of the Company, who have the authority and responsibility for planning, directing and controlling the activities of the Company, as key management personnel. All related party transactions were incurred in the normal course of operations and initially recorded at fair value.

	Year Ended December 31, 2023 $	Year Ended December 31, 2022 $
Consulting fees, Chief Executive Officer (1)	**202,596**	84,000
Consulting fees, Chief Scientific Officer	**108,000**	84,000
Consulting fees, Chief Financial Officer (2)	**146,650**	102,850
Consulting fees, Chief Medical Officer	**324,401**	196,952
Consulting fees, Directors	**90,000**	84,000
Share-based compensation	**491,091**	485,940
Severance/retention payments, CEO and CFO (3)	**584,000**	-
	1,946,738	1,037,742

(1) On June 12, 2023, Dr. Mark Lee resigned as President and CEO and Dean Burns was appointed President and CEO.

(2) For the year ended December 31, 2023, accounting services fees in the amount of $85,400 were paid to a company controlled by the Chief Financial Officer (2022 - $34,235).

(All amounts expressed in Canadian dollars unless indicated otherwise)

6. Related Party Transactions and Balances (continued)

(3) On April 21, 2023, the Company entered a settlement agreement with the former CEO in the amount of $300,000 with respect to severance (see Note 7). In addition, the Company entered a retention agreement with the CFO in the amount of $284,000 (see Note 7).

In addition to the transactions above:

a) The Company incurred legal fees in the amount of $111,134 for the year ended December 31, 2023 (2022 - $53,520) with a legal firm, one of whose partners is the spouse of a director of the Company; and,
b) The Company incurred marketing services fees in the amount of $63,040 for the year ended December 31, 2023 (2022 - $Nil) with a marketing firm owned 50% by a director of the Company.

<u>Summary of related party balances:</u>

Other than the promissory note (Note 5), all amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

	December 31, 2023 **$**	December 31, 2022 $
Due to Ventura (Note 5)	**436,194**	369,096
Due to Chief Financial Officer *	**35,726**	11,033
Due to Director *	**10,500**	-
Due to CEO *	**50,585**	-
Due to Chief Medical Officer *	**54,533**	-
	587,538	380,129

* Included in accounts payable and accrued liabilities.

As at December 31, 2023, apart from the balance stated above, $19,825 (2022 - $3,135) is payable to a legal firm, one of whose partners is the spouse of the Chief Financial Officer of the Company and $17,325 (2022 - $Nil) is due to a company owned 50% by a director of the Company. These amounts are included in accounts payable and accrued liabilities.

As at December 31, 2023, $321,640 of the amount due to Ventura has been presented as non-current (2022 - $292,342) as management does not expect that Commercialization (Note 5) will take place within 12 months after the reporting period. The loan is secured by the related intellectual property. The amount due represents the $500,000 promissory note, discounted at 9.59%, being a market rate of interest of similar debt on the date of issuance, which resulted in a capital contribution of $256,715 on the date of issuance. The loan is discounted over a period equivalent to the life of the key patent which expires on August 12, 2028. During the year ended December 31, 2023, accretion was recorded on the loan for $29,298 (2022 - $26,629).

7. Share Capital

(a) Authorized

- Unlimited number of voting common shares

(b) Issued

During the year ended December 31, 2022, the Company issued the following shares:

(i) 250,000 stock options were exercised at a price of $0.125 for proceeds of $31,250.

(ii) 2,428,248 warrants were exercised at prices ranging from $0.092 to $0.20 for proceeds of $368,101.

(All amounts expressed in Canadian dollars unless indicated otherwise)

7. Share Capital (continued)

During the year ended December 31, 2023, the Company issued the following shares:

(i) On February 1, 2023, the Company completed a private placement of 1,493,574 units ("Units") at a price of $0.45 per Unit for gross proceeds of $672,108, of which $45,000 was received in the prior year. Each Unit consists of one common share in the share capital of the Company ("Common Share") and one-half of one common share purchase warrant. Each whole warrant ("Warrant") entitles the holder to purchase one additional Common Share at an exercise price of $0.90 for a period of two years from the date of issuance of the Warrant.

(ii) 730,000 stock options were exercised at prices ranging from $0.10 to $0.125 for proceeds of $88,125.

(iii) On May 25, 2023, the Company issued 882,353 common shares to a company controlled by the CEO of the Company in connection with the resignation of this CEO. The common shares were valued based on the trading price of the common shares on the date of grant of $0.34 per share for a total value of $300,000.

(iv) On May 25, 2023, the Company issued 835,294 common shares to a company controlled by the CFO of the Company in connection with a retention bonus and an agreement to waive future severance entitlements. The common shares were valued based on the trading price of the common shares on the date of grant of $0.34 per share for a total value of $284,000.

(v) On July 21, 2023, the Company completed the first tranche of a private placement of 1,880,868 units ("Units") at a price of $0.30 per Unit for net proceeds of $564,091. On August 14, 2023, the Company completed a second tranche of the private placement of a further 1,452,465 Units for net proceeds of $435,740. Each Unit consists of one common share in the share capital of the Company ("Common Share") and one-half of one common share purchase warrant. Each whole warrant ("Warrant") entitles the holder to purchase one additional Common Share at an exercise price of $0.60 for a period of two years from the date of issuance of the Warrant.

(c) Escrowed

The Company is subject to the Exchange escrow requirements. In conjunction with completion of the RTO on August 27, 2021, the Company had the following securities escrowed and released:

Description	Officers and directors	Seed share restrictions	Quantum shares	Total shares escrowed
Escrowed August 27, 2021	56,250,000	17,400,000	2,500,000	76,150,000
Released August 27/31, 2021	(5,625,000)	(1,740,003)	(625,000)	(7,990,003)
Balance, December 31, 2021	50,625,000	15,659,997	1,875,000	68,159,997
Released Feb 27/28, 2022	(8,437,500)	(2,610,003)	(625,000)	(11,672,503)
Released Aug 27/31, 2022	(8,437,500)	(2,610,003)	(625,000)	(11,672,503)
Balance, December 31, 2022	**33,750,000**	**10,439,991**	**625,000**	**44,814,991**
Released Feb 27/28, 2023	(8,437,500)	(2,610,003)	(625,000)	(11,672,503)
Released Aug 27/31, 2023	(8,437,500)	(2,610,003)	-	(11,047,503)
Balance, December 31, 2023	**16,875,000**	**5,219,985**	**-**	**22,094,985**

The escrowed officer, director and seed shares are releasable from escrow as follows:

- 10% - upon receipt of Exchange Bulletin (released August 27, 2021 / August 31, 2021)
- 15% - February 27/February 28, 2022 (released)
- 15% - August 27/August 31, 2022 (released)
- 15% - February 27/February 28, 2023 (released)
- 15% - August 27/August 31, 2023 (released)
- 15% - February 27/February 29, 2024
- 15% - August 27/August 31, 2024

(All amounts expressed in Canadian dollars unless indicated otherwise)

7. Share Capital (continued)

The escrowed Quantum shares are releasable from escrow as follows:

- 25% - upon receipt of Exchange Bulletin (released August 27, 2021)
- 25% - February 27, 2022 (released)
- 25% - August 27, 2022 (released)
- 25% - February 27, 2023 (released)

(d) Warrants

A continuity schedule of share purchase warrants outstanding is as follows:

	Number	Weighted Average Exercise Price ($)
Balance, December 31, 2021	2,428,248	0.152
Exercised	(2,428,248)	0.152
Balance, December 31, 2022	-	-
Issued	2,413,454	0.69
Balance, December 31, 2023	**2,413,454**	**0.69**

The fair value of the 746,787 share purchase warrants granted on February 1, 2023 was $90,389. The Company calculated the fair value of the 746,787 share purchase warrants using the Black-Scholes pricing model using the following assumptions:

	Year Ended December 31, 2023
Share-price	$0.40
Risk-free interest rate	3.76%
Expected volatility	94%
Dividend yield	0%
Expected life of each warrant granted	2 years
Estimated forfeiture rate	0%
Fair value per warrant	$0.12

The fair value of the 940,434 share purchase warrants granted on July 21, 2023 was $96,302. The Company calculated the fair value of the 940,434 share purchase warrants using the Black-Scholes pricing model using the following assumptions:

	Year Ended December 31, 2023
Share-price	$0.31
Risk-free interest rate	4.58%
Expected volatility	90%
Dividend yield	0%
Expected life of each warrant granted	2 years
Estimated forfeiture rate	0%
Fair value per warrant	$0.10

(All amounts expressed in Canadian dollars unless indicated otherwise)

7. Share Capital (continued)

The fair value of the 726,233 share purchase warrants granted on August 14, 2023 was $74,128. The Company calculated the fair value of the 726,233 share purchase warrants using the Black-Scholes pricing model using the following assumptions:

	Year Ended December 31, 2023
Share-price	$0.31
Risk-free interest rate	4.72%
Expected volatility	90%
Dividend yield	0%
Expected life of each warrant granted	2 years
Estimated forfeiture rate	0%
Fair value per warrant	$0.10

(e) Options

The Company has adopted an incentive stock option plan in accordance with the policies of the Exchange (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares. The Stock Option Plan provides that options shall be exercisable for the duration set out in the individual option agreements, which in no event shall exceed ten (10) years from the date such options are granted. In addition, the number of common shares reserved for issuance to any one person shall not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed two percent (2%) of the issued and outstanding common shares. The Board of Directors determines the price per common share and the number of common shares which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of the Exchange.

A continuity schedule of share purchase options outstanding is as follows:

Description	Number of Options	Weighted Average Exercise Price $
Balance, December 31, 2021	9,537,117	0.152
Exercised	(250,000)	0.100
Balance, December 31, 2022	9,287,117	0.152
Granted	2,141,317	0.325
Exercised	(730,000)	0.121
Modification	(541,317)	0.600
Balance, December 31, 2023	10,157,117	0.167
Exercisable, December 31, 2023	8,418,195	0.144

(All amounts expressed in Canadian dollars unless indicated otherwise)

7. Share Capital (continued)

As at December 31, 2023, the Company had the following outstanding share purchase options:

Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price ($)	Expiry date
541,317	541,317	0.34	April 24, 2025
8,015,800	7,636,878	0.125	August 27, 2026
1,600,000	240,000	0.32	June 12, 2028
10,157,117	**8,418,195**	**0.167**	

On April 24, 2023, the Company cancelled 541,317 partially vested incentive stock options that were issued to a director of the Company in November 2021 at a price of $0.60 per common share, and reissued 541,317 fully vested incentive stock options to the director with an exercise price of $0.34 per common share for a period of two years. The incremental fair value of the replacement options were not beneficial to the director and therefore no share-based compensation expense was recorded for the reissued shares.

On April 24, 2023 the Company also accelerated the vesting of 7,413,167 of its outstanding incentive stock options, such that these incentive stock options vested immediately.

On June 12, 2023, the Company issued 1,600,000 incentive stock options to a director of the Company pursuant to the terms of the stock option plan of the Company. Each option entitles the holder thereof to purchase one common share in the capital of the Company, at an exercise price per common share of $0.32 for a period of five years. The stock options will vest over a period of three years, with 15% of the options vesting 6 months after the date of issuance, another 15% vesting after 12 months, another 15% after 18 months, another 15% after 24 months, another 20% after 30 months and the remaining 20% after 36 months.

The Company estimated the fair value of the 1,600,000 incentive stock options granted on June 12, 2023 using the Black-Scholes pricing model using the following assumptions:

	Year Ended December 31, 2023
Share-price	$0.32
Risk-free interest rate	3.64%
Expected volatility	123%
Dividend yield	0%
Expected life of each option granted	5 years
Estimated forfeiture rate	0%
Fair value per option	$0.27

The Company recognized $491,091 of stock-based compensation expense during the year ended December 31, 2023 (2022 - $485,940).

At December 31, 2023, the weighted average remaining contractual life of the outstanding options is 2.87 years (2022 – 3.63 years).

(f) Loss per share

The calculation of weighted average shares outstanding for the diluted loss per share calculation excludes the impact of the options and warrants outstanding as at December 31, 2023 and 2022 as the effect is anti-dilutive.

8. Capital Risk Management

The capital structure of the Company consists of all components of shareholders' equity. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to provide an adequate return to shareholders, to meet external capital requirements on the Company's debt and credit facilities and preserve financial flexibility in order to benefit from potential opportunities that may arise.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements. There has been no change in the Company's approach to capital management during the year ended December 31, 2023.

9. Financial Instruments and Risk Management

The Company, as part of its operations, carries financial instruments consisting of cash, amounts receivable, accounts payable and accrued liabilities, promissory note and due to related parties. It is management's opinion that the Company is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

<u>Fair values and classification</u>

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

i. Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
ii. Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
iii. Level 3 – Unobservable inputs that are supported by little or no market activity, therefore requiring an entity to develop its own assumptions about the assumption that market participants would use in pricing.

The fair values of cash, amounts receivable, accounts payable and accrued liabilities and current portion of due to related parties approximates their carrying values due to the relatively short-term maturity of these instruments. The carrying value of the promissory note approximates fair value due to the market rate of interest utilized in the calculation. Cash is measured at fair value on a recurring basis using level 1 inputs.

<u>Financial instrument risk exposure</u>

The Company's financial instruments are exposed to certain financial risks, including credit risk, currency risk, interest risk and liquidity risk.

(a) Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and amounts receivable The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The majority of amounts receivable is due from the Government of Canada and has limited credit risk. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk. The Company's maximum credit risk is equal to the carrying value of cash and amounts receivable at December 31, 2023 and December 31, 2022.

9. Financial Instruments and Risk Management (continued)

(b) Currency risk

The Company's assets, liabilities, and expenses are denominated primarily in Canadian dollars. The Company's corporate office is based in Canada and current exposure to rate fluctuations is minimal. The Company does not have significant foreign currency denominated monetary liabilities.

(c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company manages its interest rate risk by maximizing the interest earned on excess funds while maintaining the liquidity necessary to fund daily operations. The Company is not exposed to significant interest rate risk as its promissory note is non-interest bearing.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company's accounts payable and accrued liabilities, and due to related parties have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company currently has current assets of $311,002 to settle current liabilities of $623,689 and will need to source financing to meet obligations as they come due.

10. Taxes

A reconciliation of taxes at statutory rates with the reported taxes is as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
	$	$
Net loss before income taxes	**(3,643,641)**	(2,219,947)
Canadian statutory income tax rate	**27%**	27%
Expected income tax recovery at statutory rate	**(983,783)**	(599,386)
Tax effect of:		
Permanent differences and others	**112,951**	131,204
Change in unrecognized deferred income tax assets	**869,406**	468,182
Income tax recovery	**-**	-

Components of deferred tax asset (liability) are as follows:

	December 31, 2023	December 31, 2022
	$	$
Deferred tax asset		
Non-capital losses carried forward	**68,129**	95,545
Deferred tax liability		
Promissory note	**(48,157)**	(56,068)
Intangible assets	**(19,972)**	(40,477)
Net deferred income tax asset (liability)	**-**	-

(All amounts expressed in Canadian dollars unless indicated otherwise)

10. Taxes (continued)

Deferred tax assets have not been recognized in respect to the following gross temporary differences because it is not probable that they will be utilized:

	December 31, 2023	December 31, 2022
	$	$
Non-capital losses carried forward	**6,352,190**	3,133,075
Share issuance costs	**56,587**	21,300
Net deferred income tax assets	**7,815,000**	3,902,000

The Company's non-capital losses are available to reduce future taxable income and will commence to expire in fiscal 2033.

11. Subsequent Event

On January 15, 2024, the Company completed a private placement of 1,301,875 units ("Units") at a price of $0.32 per Unit for gross proceeds of $416,600. Each Unit consists of one common share in the share capital of the Company ("Common Share") and one-half of one common share purchase warrant. Each whole warrant ("Warrant") entitles the holder to purchase one additional Common Share at an exercise price of $0.64 for a period of two years from the date of issuance of the Warrant. The Company received $160,000 prior to December 31, 2023 for this private placement.