VENTRIPOINT DIAGNOSTICS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

(EXPRESSED IN CANADIAN DOLLARS)

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Independent Auditor's Report

To the Shareholders of Ventripoint Diagnostics Ltd.

Opinion

We have audited the consolidated financial statements of Ventripoint Diagnostic Ltd. and its subsidiary (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019 and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficit, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years 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 Group 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 Group incurred a net loss of $1,850,676 and a negative operating cash flow of $1,100,354 during the year ended December 31, 2020 and, and has accumulated $39,867,182 of losses as at December 31, 2020. As stated in Note 1, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we 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.

We obtained the 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 in this auditor's report. 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 these consolidated financial statements in accordance with IFRS, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

BDO Canada LLP

Chartered Professional Accountants
Calgary, Alberta
May 2, 2021

Ventripoint Diagnostics Ltd.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2020	As at December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	$ **526,026**	$ 13,761
Accounts receivable (note 5)	**165,341**	67,655
Inventory	**-**	30,828
Prepaid expenses	**23,128**	63,784
Total current assets	**714,495**	176,028
Non-current assets		
Property and equipment (note 6)	**25,257**	41,109
Right-of-use leased asset (note 11)	**61,818**	97,143
Total assets	$ **801,570**	$ 314,280
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	$ **1,763,165**	$ 1,632,679
Warrant liabilities (note 8)	**500**	12,797
Current portion of leases (note 11)	**42,755**	37,145
Interest payable on debentures (note 12)	**16,661**	13,065
Promissory notes (note 9)	**-**	220,000
Total current liabilities	**1,823,081**	1,915,686
Non-current liabilities		
Other Loans (note 10)	**148,106**	-
Leases (note 11)	**34,562**	75,093
Convertible debentures (note 12)	**1,144,446**	792,937
Total liabilities	**3,150,195**	2,783,716
Shareholders' deficit		
Share capital (note 13)	**31,009,342**	29,480,435
Contributed surplus (notes 14 and 15)	**6,400,369**	5,997,379
Accumulated other comprehensive income	**108,846**	-
Deficit	**(39,867,182)**	(37,947,250)
Total deficit	**(2,348,625)**	(2,469,436)
Total deficit and liabilities	$ **801,570**	$ 314,280

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

Nature of operations and going concern (note 1)
Commitments (note 23)
Subsequent events (note 25)

Approved on behalf of the Board:

(Signed) "Dr. George Adams " Director

(Signed) "Robert Hodgkinson" Director

Ventripoint Diagnostics Ltd.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year Ended December 31, 2020	Year Ended December 31, 2019
Revenue	**$ 36,017**	$ 81,023
Cost of Sales	**(9,747)**	(43,852)
Gross Margin	**26,270**	37,171
Operating expenses		
General and administrative (note 21)	**1,526,564**	1,656,346
Research and development (note 21)	**272,041**	1,044,040
Sales and marketing (note 21)	**116,762**	619,560
Total operating expenses	**1,915,367**	3,319,946
Loss from operations	**(1,889,097)**	(3,282,775)
Finance costs (note 18)	**(219,740)**	(214,148)
Warrant liabilities revaluation adjustment (note 8)	**12,297**	120,822
Other income (note 16)	**234,193**	95,795
Foreign currency differences	**(2,906)**	(4,982)
Impairment of intangible assets	**-**	(37,340)
Impairment of inventory	**(20,752)**	-
Gain on modification of convertible debentures (note 12)	**35,329**	-
Net loss for the year	**$ (1,850,676)**	$ (3,322,628)
Other comprehensive income (loss)		
Gain on currency translation	**$ 39,590**	$ -
Total loss and comprehensive loss for the year	**$ (1,811,086)**	$ (3,322,628)
Basic and diluted net loss per share (note 19)	**$ (0.02)**	$ (0.05)
Weighted average number of common shares outstanding	**74,515,947**	63,374,776

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

Ventripoint Diagnostics Ltd.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended December 31, 2020	Year Ended December 31, 2019
Operating activities		
Net loss for the year	**$ (1,850,676)**	$ (3,322,628)
Adjustments for:		
Depreciation and amortization	**19,615**	24,993
Depreciation of right of use asset	**35,325**	35,325
Impairment of intangible assets	**-**	37,340
Share-based compensation	**394,845**	205,108
Derivative liabilities revaluation adjustment	**(12,297)**	(120,822)
Consulting fees & accrued salaries settled with shares	**45,500**	67,500
Impairment of inventory	**20,752**	-
Gain on modification of debenture	**(35,329)**	-
Accretion of debentures payable	**218,831**	115,224
Interest on debentures paid out in shares	**-**	79,627
Interest on leases	**10,476**	14,201
Emergency commercial rent assistance program	**(48,090)**	-
Interest free benefit included in income on forgivable loans	**(22,294)**	-
Foreign exchange gain (loss)	**-**	4,982
Changes in non-cash working capital items:		
Amounts receivable	**(97,686)**	12,567
Prepaid expenses	**40,656**	100,581
Inventory	**30,828**	38,162
Amounts payable and other liabilities	**145,594**	336,373
Deferred revenue	**-**	(9,823)
Interest payable	**3,596**	-
Net cash used in operating activities	**(1,100,354)**	(2,381,290)
Investing activities		
Additions to property and equipment	**(3,763)**	(17,098)
Net cash used in investing activities	**(3,763)**	(17,098)
Financing activities		
Advances from private placements	**-**	703,070
Cash paid for share issuance costs	**-**	(62,885)
Issuance of convertible debentures	**1,000,000**	1,511,000
Cash paid for debenture issuance costs	**(66,747)**	(114,468)
Lease payments	**(13,169)**	(46,376)
Federal loans received	**170,000**	-
Related party promissory note	**-**	220,000
Interest paid in cash on convertible debentures	**-**	(25,833)
Convertible debenture issuance costs paid in cash	**-**	159,500
Proceeds received on exercise of warrants	**505,800**	-
Proceeds received on exercise of options	**25,000**	-
Net cash provided by financing activities	**1,620,884**	2,344,008
Effect of foreign exchange on cash and cash equivalents	**(4,502)**	1,575
Net change in cash and cash equivalents	**512,265**	(52,805)
Cash and cash equivalents, beginning of year	**13,761**	66,566
Cash and cash equivalents, end of year	**$ 526,026**	$ 13,761

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

Ventripoint Diagnostics Ltd.
Consolidated Statements of Changes in Deficit
(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
Balance, December 31, 2018	**60,125,238**	**$ 28,623,802**	**$ 5,022,953**	**$ -**	**$ (34,620,018)**	**$ (973,263)**
Shares issued for cash	4,687,134	703,070	-	-	-	703,070
Warrants issued with sale of shares	-	(331,703)	331,703	-	-	-
Finders warrants issued with sale of shares	-	-	77	-	-	77
Share issuance cost	-	(62,962)	-	-	-	(62,962)
Warrants issued with sale of debenture	-	-	452,000	-	-	452,000
Adoption of IFRS 16 - Leases	-	-	-	-	(4,604)	(4,604)
Finders warrants issued in connection with debenture	-	-	30,000	-	-	30,000
Issuance cost in connection with sale of debenture	-	(43,216)	-	-	-	(43,216)
Conversion of convertible debentures	2,683,869	280,034	-	-	-	280,034
Liabilities settled with shares	840,506	107,447	-	-	-	107,447
Stock options exercised	1,150,000	203,963	(44,462)	-	-	159,501
Share-based compensation	-	-	205,108	-	-	205,108
Net loss for the year	-	-	-	-	(3,322,628)	(3,322,628)
Balance, December 31, 2019	**69,486,747**	**29,480,435**	**$ 5,997,379**	**$ -**	**$ (37,947,250)**	**$ (2,469,436)**
Re-class of accumulated other comprehensive income	-	-	-	69,256	(69,256)	-
Warrants exercised	5,058,000	505,800	-	-	-	505,800
Stock options exercised	250,000	34,722	(9,722)	-	-	25,000
Equity Portion of Convertible Debentures	-	-	172,000	-	-	172,000
Finders warrants issued in connection with debenture	-	-	6,000	-	-	6,000
Modification on convertible debt	-	-	(160,133)	-	-	(160,133)
Conversion of convertible debentures	13,426,664	842,476	-	-	-	842,476
Liabilities settled with shares	1,840,971	145,909	-	-	-	145,909
Share-based compensation	-	-	394,845	-	-	394,845
Currency translation adjustment	-	-	-	39,590	-	39,590
Net loss for the year	-	-	-	-	(1,850,676)	(1,850,676)
Balance, December 31, 2020	**90,062,382**	**$ 31,009,342**	**$ 6,400,369**	**$ 108,846**	**$ (39,867,182)**	**$ (2,348,625)**

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

1. Nature of operations and going concern

Ventripoint Diagnostics Ltd. (“Diagnostics” or the "Company") was incorporated by a Certificate of Incorporation pursuant to the provisions of the Business Corporations Act (Alberta) on May 4, 2005. Diagnostics acquired Ventripoint Inc. (“Ventripoint”, Diagnostics and Ventripoint, collectively referred to herein as the “Company” or “Companies”) on September 18, 2007. Diagnostics is a Canadian public company with its shares listed on the TSX Venture Exchange (“TSXV” or the “Exchange”) with the trading symbol “VPT” and on the OTCQB in the U.S. with the trading symbol “VPTDF”. Ventripoint Inc. was incorporated in the State of Washington in July, 2004 and commenced operations in January, 2005. Ventripoint Inc.’s registration was migrated to the State of Delaware on December 21, 2017. The Companies’ registered office is at Livingston Place West, Suite 1000, 250 – 2nd Avenue S.W., Calgary, Alberta, T2P 0C1.

The Company is a medical device company engaged in the development and commercialization of diagnostic tools that monitor patients with heart disease. The system is based upon patented technology, the commercialization rights of which Ventripoint has licensed from the University of Washington.

In March 2020 the World Health Organization declared coronavirus COVID19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration of the return of public access to hospitals and how quickly marketing and installations can proceed.

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. There is no certainty whether the Company will generate significant revenues or attain profitable operations in the near future and there can be no assurance that it will achieve profitability in the future, as it incurred a loss of $1,850,676 and had a negative cash flow from operating activities of $1,100,354 for the year ended December 31, 2020, and has accumulated $39,867,182 of losses as at December 31, 2020. The Company's ability to continue as a going concern is dependent on its raising of future required capital, bringing its products to market and achieving and maintaining profitable operations. The outcome of these matters cannot be predicted at this time. As a result there exists a material uncertainty which creates significant doubt regarding the Company’s ability to continue as a going concern. These consolidated financial statements do not include any adjustments and classifications of assets and liabilities, which might be necessary should the Company be unable to continue its operations. Such adjustments could be material.

2. Significant accounting policies

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements were authorized and approved by the Board of Directors on May 2, 2021

2. Significant accounting policies (continued)

Basis of consolidation

These consolidated financial statements include the accounts of Diagnostics and Ventripoint, its wholly-owned and controlled subsidiary. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries, including entities which the Company controls, are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany transactions and balances have been eliminated.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars (“CDN$”), the Company's functional currency. The functional currency of the Company’s wholly owned subsidiary is US dollars (“US$”) and has been translated to CDN$ using the closing rate, the spot exchange rate or the annual average exchange rate.

Critical accounting judgements and estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses.

Information about critical judgments in applying accounting policies and assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the consolidated financial statements includes the assumptions and model used to estimate share-based compensation (note 14), the allocation of convertible debentures to the liability and equity components (note 12), and the valuation of warrants and other derivative liabilities (note 8), the capitalization and expensing of development costs, the impairment of assets which requires judgement in determining if the facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the allocation of revenues between amounts recognized upon installation and amounts deferred and recognized over the initial warranty period, the designation of the Canadian dollar as the Company’s functional currency, and factors considered in inventory obsolescence.

Reported amounts and note disclosure reflect the anticipated measures management intends to take. Actual results could differ from those estimates. The above estimates and assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Foreign currency

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into the functional currency by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into the functional currency by using the exchange rate in effect at the year-end date and the related translation differences are recognized in profit or loss.

Non-monetary assets and liabilities that are measured at historical cost are translated into the functional currency by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into the functional currency by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in profit or loss or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

2. Significant accounting policies (continued)

Financial instruments

Financial assets

All financial assets are initially recorded at fair value and designated on acquisition to one of the following three categories: amortized cost, fair value through profit or loss, or fair value through other comprehensive income. The Company does not have any financial instruments classified as fair value through other comprehensive income.

Amortized cost
These assets arise principally from the provision of goods and services to customers, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely the payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issuance and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Impairment provisions for accounts receivable are recognized based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During the process of reviewing accounts receivable for impairment, the probability of the non-payment of the accounts receivable is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for accounts receivable. For accounts receivable, which are reported net, such provisions are recorded in a separate provision account with the loss being recognized within operating expenses in the consolidated statement of loss and comprehensive loss. On confirmation that a certain accounts receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Company’s financial assets measured at amortized cost are comprised of cash and equivalents, which include balances with banks and a restricted term deposit with a maturity of three months or less, and accounts receivable.

Fair value through profit or loss
These assets are carried in the consolidated statement of financial position at their fair value with changes in fair value recognized in the consolidated statement of loss and comprehensive loss. Transaction costs associated with financial instruments measured at fair value through profit or loss are expensed as incurred.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or when the Company has transferred its rights to receive cash flows from the asset.

Financial liabilities
The Company classified its financial instruments into one of two categories, depending on the purpose for which the liabilities were acquired.

Fair value through profit or loss
These liabilities are classified and measured at fair value through profit or loss. As at December 31, 2020, the Company has classified its derivative financial liabilities and financial liabilities designated upon initial recognition at fair value through profit or loss to this category. A financial liability is derecognized when its contractual obligations are discharged, cancelled, or expire. The category includes derivative liabilities.

Other financial liabilities
Other financial liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method. This category includes accounts payable and accrued liabilities, lease liability, debentures, interest payable on debentures, and related party promissory notes.

2. Significant accounting policies (continued)

Share capital and contributed surplus

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Revenue recognition

The Company derives revenue from product sales of its Ventripoint Medical System ("VMS") equipment.

Applying the five-step model required by IFRS 15, *Revenue from Contracts with Customers*, revenue is recognized as follows for these contracts:

Identify the contract:
The contractual arrangement executed with the customer, specifying the equipment, scope and compensation.

Identify distinct performance obligations:
The contract may include multiple performance obligations including the sale of inventory and server access.

Estimate transaction price:
Transaction price is based on the observable stand-alone selling price as stated in the contract and is based on a fixed fee. No variable consideration exists.

Allocate price to performance obligations:
The transaction price is allocated to each performance obligation linked to customer commitments for each obligation under the contract based on stand-alone selling prices.

Recognize revenue as the performance obligations are satisfied:
Revenue is recognized at a point in time once control passes to the customer and when all significant contractual obligations have been satisfied, collection is probable and the amount of revenue can be estimated reliably.

Government grant and contribution recognition

Government grants for reimbursement of costs are recognized as other income in the period the expenses are incurred.

Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first- out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. For assembled inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost of inventory recognized in the cost of goods sold in 2020 is $3,039 (2019 - $32,870). Inventory at December 31, 2020 consisted of $nil in finished goods (December 31, 2019 - $45,300) and $nil in raw materials (December 31, 2019 - $23,690). During the year ended December 31, 2020, the Company wrote off the inventory of $20,752 (December 31, 2019 - $18,439).

2. Significant accounting policies (continued)

Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in profit or loss. Property and equipment is assessed annually for indicators of impairment.

Depreciation

The estimated useful lives and the methods of depreciation for the current and comparative periods are as follows:

Asset	Basis
Computer and office equipment	Straight-line over 3 years
Equipment and software	Straight-line over 5 years
Furniture and fixtures	Straight-line over 3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting period and adjusted as appropriate.

Intangible assets

The Company owns intangible assets consisting of licensed patent rights. Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

Intangible assets with finite lives are amortized over the useful economic life and all intangibles are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization method and amortization period of an intangible asset with a finite life is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in research and development expenses.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The technology license is stated at cost and will be amortized over a period of 10 years, using the straight-line method.

2. Significant accounting policies (continued)

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. These criteria will be deemed by the Company to have been met when revenue is received by the Company and management has determined that it has sufficient resources to market and sell its product offerings.

Upon a determination that the criteria to capitalize development expenditures have been met, the expenditure capitalized will include the cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures are expensed as incurred. Capitalized development expenditures will be measured at cost less accumulated amortization and accumulated impairment losses. No development costs have been capitalized to date.

Leases and right-of-use assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is measured at cost, where cost comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

A lease liability is initially measured at the present value of the unpaid lease payments using the Company's incremental borrowing rate. Subsequently, the Company measures a lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments. Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

2. Significant accounting policies (continued)

Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment test is performed, on an individual basis, for each material financial asset. Other individually non-material financial assets are tested as groups of financial assets with similar risk characteristics. Impairment losses are recognized in profit or loss.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the respective financial asset. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss but does not exceed the original cost of the asset net of amortization.

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 an indication exists, the recoverable amount is estimated. The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or cash-generating units. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Share-based compensation

The grant-date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in contributed surplus, 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 met the related service and non-market performance conditions at the vesting date.

2. Significant accounting policies (continued)

Share-based compensation (continued)

For equity-settled share-based payment transactions with non-employees, the Company measures the goods or services received, and the corresponding increase in contributed surplus, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, it measures their value by reference to the fair value of the equity instruments granted.

Deferred Share Units issued to Directors and Executive Officers are recognized at fair value on the date of grant which is determined to be the fair value of a common share on the grant date. Upon the Director or Officer ceasing their duties, one common share in respect of each whole Deferred Share Unit will be issued to the individual.

Finance costs

Finance costs comprise interest expense on borrowings, bank charges and accretion on debentures.

Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. The inclusion of the Company's stock options and warrants in the computation of diluted loss per share has an anti-dilutive effect and therefore they have been excluded from the calculation of diluted loss per share.

2. Significant accounting policies (continued)

New accounting standards adopted

‘COVID-19-Related Rent Concessions (Amendments to IFRS 16).

COVID-19-Related Rent Concessions (Amendments to IFRS 16) Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria: (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (b) The reduction is lease payments affects only payments originally due on or before 30 June 2021; and (c) There are is no substantive change to other terms and conditions of the lease. Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession. The Company applied the election and reduced lease payments in the year related to COVID lease subsidies of $48,090 have been recorded to other income.

IFRS 3, Business Combinations ("IFRS 3")

Amendments to IFRS 3, issued in October 2018, provide clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments are effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The adoption of the amendments had no impact on the Company's consolidated financial statements.

IAS 1, Presentation of Financial Statements ("IAS 1")

Amendments to IAS 1, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS and other publications. The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The adoption of the amendments had no impact on the Company's consolidated financial statements.

New accounting standards adopted

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

Amendments to IAS 8, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS and other publications. The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The adoption of the amendments had no impact on the Company's consolidated financial statements.

New standards not yet adopted and interpretations issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 01, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded.

3. Capital risk management

The Company's objective in managing capital is to safeguard its ability to continue as a going concern and to sustain future development of the business. In the management of capital, the Company includes shareholders' deficit, excluding accumulated other comprehensive loss. The Company's objective is met by retaining adequate equity to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. In order to maintain or adjust its capital structure, the Company may issue new shares or units. The Board of Directors does not establish quantitative return on capital criteria for management. The Company is not subject to any externally imposed capital requirements and the Company's overall strategy with respect to capital management remains unchanged from the year ended December 31, 2019.

4. Financial instruments

The Company's financial instruments consist of cash and equivalents, accounts payables and accrued liabilities, debentures payable, warrant liabilities, and related party promissory notes. Cash and equivalents and accounts receivable are classified as amortized cost. Accounts payable and accrued liabilities, debentures payable, interest payable on debentures, and related party promissory notes are classified as other financial liabilities, which are also measured at amortized cost. Warrant financial liabilities are measured at fair value.

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The Hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly (ie. as prices) or indirectly (ie. derived from prices); and
Level 3: Inputs that are not based on observable market data.

The Company measures its derivative liabilities at fair value through profit or loss and has determined this valuation to be a level 2 valuation as it is based on inputs that are observable. There has been no change in level from prior year.

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

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and equivalents, and trade accounts receivable. The carrying amount of the financial assets represents the maximum credit exposure.

The Company limits its exposure to credit risk on cash and equivalents by placing these financial instruments with high- credit quality financial institutions and only investing in liquid, investment grade securities.

The carrying amount of accounts receivable is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss within operating expenses. When a receivable balance is considered uncollectable it is written off against the allowance. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss. Within the accounts receivable, all amounts receivable are considered to be collectible. Amounts receivable from the Government for grants or sales tax refunds are considered to have no credit risk. The carrying amount of financial assets represents the maximum credit exposure.

4. Financial instruments (continued)

Credit risk (continued)

The maximum exposure to credit risk as at December 31, 2020 and 2019 was:

	December 31, 2020	December 31, 2019
Cash and cash equivalents	**$ 526,026**	$ 13,761

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by monitoring forecasted and actual cash flows, as well as anticipated investing and financial activities. The majority of the Company's financial liabilities are due within 90 days. The Company has no long-term financial liabilities.

The following table consists of accounts payable and accrued liabilities and sets out contractual maturities (representing undiscounted contractual cash flows) of the financial liabilities outstanding at December 31, 2020:

	2021	**2022**	**2023**	**2024**	**Total**
Accounts payable & accrued liabilities	$ 1,763,165	$ -	$ -	$ -	$ 1,763,165
Lease payments	48,866	33,200	-	-	82,066
CEBA loan	-	30,000	-	-	30,000
RRRF loan	-	-	24,453	32,604	57,057
Convertible debentures	-	1,308,000	-	-	1,308,000
	$ 1,812,031	**$ 1,371,200**	**$ 24,453**	**$ 32,604**	**$ 3,240,288**

The contractual maturities of commitments at period end are included in (note 23).

Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates and interest rates will affect the Company's income or the value of the financial instruments held.

Foreign currency risk

The majority of the Company's total expenditures were denominated in CDN$ in 2020 (2019 - CDN$). Inventory purchases are primarily in CDN$ (2019 - US$). Sales were denominated in both US$ and CDN$ (2019 - CDN$). The Company's capital transactions are denominated in CDN$ and the Company now maintains most of its cash and equivalents in CDN$. Foreign currency risk reflects the risk that the Company's earnings will be impacted by fluctuations in exchange rates.

With all other variables held constant, a 10% point increase in the value of the US$ relative to the CDN$ would have increased the non-operating loss due to foreign currency differences by approximately $200 for the year ended December 31, 2020 (2019 - $1,300). There would be an equal and opposite impact on the net loss with a 10% point decrease in the value of the US$ relative to the CDN$.

(Expressed in Canadian Dollars)

4. Financial instruments (continued)

Foreign currency risk (continued)

The objective of the Company's foreign exchange risk management activities is to minimize transaction exposures and the resulting volatility of the Company's earnings. The Company manages this risk by pricing sales in CDN$ where possible. The Company has not entered into any forward foreign exchange contracts.

The Company was exposed to currency risk for the following assets (liabilities) as at December 31, 2020 and 2019:

	December 31, 2020 US$	December 31, 2019 US$
Cash and cash equivalents	**3,399**	10,057
Accounts payable and accrued liabilities	**(424,819)**	(466,604)
Total	**(421,420)**	(456,547)

5. Accounts receivable

	As at December 31, 2020	**As at December 31, 2019**
Government contribution receivable	**103,010**	-
Goods and services taxes receivable	**62,331**	67,655
Total	**165,341**	67,655

6. Property and equipment

Cost	**Total**
Balance, December 31, 2018	**$ 179,554**
Additions	17,098
Disposals	(36,563)
Balance, December 31, 2019	160,089
Additions	3,763
Balance, December 31, 2020	**$ 163,852**

Accumulated Depreciation	**Total**
Balance, December 31, 2018	**$ 130,550**
Depreciation for the year	24,993
Disposals	(36,563)
Balance, December 31, 2019	$ 118,980
Depreciation for the year	19,615
Balance, December 31, 2020	**$ 138,595**

Carrying Value	**Total**
Balance, December 31, 2019	$ 41,109
Balance, December 31, 2020	**$ 25,257**

7. Accounts payable and accrued liabilities

	As at December 31, 2020	As at December 31, 2019
Trade and other payables	**$ 1,013,543**	$ 1,196,048
Accrued management salaries and other payroll liabilities	**590,314**	429,814
Accrued liabilities	**159,308**	6,817
Total	**$ 1,763,165**	$ 1,632,679

8. Warrant liability

Warrants are issued in connection with private placements of common shares and convertible debentures with an exercise price in Canadian dollars. Certain warrants issued before 2020 have been treated as derivative financial liabilities as the exercise price of the warrants may be adjusted if the Company issues common shares at less than 95% of the quoted market price. The fair value movement during the period was recognized in profit or loss (however, warrants issued to agents and brokers are classified as equity and are therefore not accounted for as liabilities and are not subject to re-measurement at each statement of financial position date). The fair value of warrants issued in 2019 and 2020 is recorded to contributed surplus (note 15).

The following table summarizes the changes in the warrant liabilities for the periods ending December 31, 2020 and December 31, 2019:

Details related to the warrant liability are summarized below.

	As at December 31, 2020	As at December 31, 2019
Opening balance	**$ 12,797**	$ 133,619
Fair value adjustment at the report date	**(12,297)**	(120,822)
Closing balance	**$ 500**	$ 12,797

(Expressed in Canadian Dollars)

8. Warrant liability (continued)

i) On March 8, 2019, the Company received final approval from the TSX Venture Exchange to amend the expiry date of 10,496,938 common share purchase warrants with an exercise price of $0.50 issued by the Company in connection with a Private Placement financing on March 23, 2017. The expiry date was amended from March 23, 2019 to March 23, 2021 with all other terms to remain the same.

For financial statement purposes the amendment of the Warrants is treated as an extinguishment and issuance of new extended Warrants and is recognized in the profit and loss in the Derivative Liabilities Revaluation Adjustment and as an increase to Derivative Liabilities of $459,766. The derivative warrant were revalued at December 31, 2019 resulting in a revaluation gain of $577,703. The new Warrants were valued using a Black-Scholes model with assumptions as follows: expected dividend yield of 0%; share price of $0.50; expected volatility of 90.81% using the historical price history of the Company; risk-free interest rate of 1.82%; and an expected average life of 2.04 years.

	As at December 31, 2020	As at December 31, 2019
Opening balance, outstanding warrants	**11,646,938**	15,186,311
Warrants expired	**(1,150,000)**	(3,539,373)
Closing balance, outstanding warrants	**10,496,938**	11,646,938

A summary of the assumptions used in the valuation model for re-measuring the warrants at end of the period is set out below.

	As at December 31, 2020	As at December 31, 2019
Common share market price	**$ 0.090**	$ 0.075
Weighted average risk free interest rate	**0.01** %	1.71 %
Estimated common share weighted average price volatility	**119.81** %	84.54 %
Expected dividend yield	**nil** %	nil %
Estimated weighted average life in years	**0.23**	1.20

The following table reflects the warrant liability warrants outstanding as of December 31, 2020:

	Number of warrants outstanding	**Exercise price ($)**	**Expiry date**
	10,496,938	0.50	May 23, 2021 (1)
	10,496,938	**0.50**	

(1) Subsequent to year ended December 31, 2020, the Company extend the expiry date from March 23, 2021, for 60 days to May 23, 2021. The Warrants to be amended do not include any warrants issued to finders or agents. No other terms of the Warrants are to be amended and the exercise price remains at $0.50.

9. Promissory note

During the period ended December 31, 2019, the Company received $220,000 in advances. During the period ended December 31, 2020, the proceeds were converted to the debentures on February 2020.

(Expressed in Canadian Dollars)

10. Federal loans

In April 2020, the Company received a $40,000 loan through the Canada Emergency Business Account program (“CEBA”). The CEBA was launched by the Government of Canada in response to the global COVID-19 health crisis, and has been implemented by financial institutions in cooperation with Export Development Canada. In December 2020, the Government of Canada increased the CEBA loan for eligible businesses from $40,000 to $60,000. The loans have no repayment terms and are non-interest bearing during the initial term, until December 31, 2022. If the loan balances are repaid in full on or before December 31, 2022, 25% of the loans will be forgiven. The forgivable portion of the loan has been accounted for as a government grant. On December 31, 2022, any remaining outstanding loan balances will be converted into three-year term loans at fixed interest rates of 5% per annum.

The loan is summarized as follows for the year ending December 31, 2020:

	As at December 31, 2020	As at December 31, 2019
Loan payable	**$ 40,000**	$ -
Government grant income	**(10,000)**	-
	$ 30,000	$ -

In December 2020, the Company received $130,400 as part of the Regional Economic Growth Through Innovation program (Regional Relief and Recovery Fund ("RRRF")) to support enterprises to enable recovery from economic disruptions associated with COVID-19. The loan is repayable starting April 1, 2023 until March 1, 2028 at an amount of $2,717 per month. The loan has been recorded at its fair value on initial recognition based on the discounted future cash flow at a market rate of interest of 19.5%. The benefit of the below-market rate of interest was measured as the difference between the initial fair value of the loan and the proceeds received

	As at December 31, 2020	As at December 31, 2019
Loan payable	**$ 130,400**	$ -
Fair value adjustment	**(12,294)**	-
	$ 118,106	$ -

11. Leases

The Company entered in to a 5 year office lease on October 1, 2017. The Company used its incremental borrowing rate of 10.92% as the discount rate of determine the value of its five year office premises lease. The asset is depreciated on a straight-line basis over the lease term, starting October 1, 2017.

Right-of-use leased asset	**Total**
Balance, December 31, 2018	**$ 132,468**
Amortization	(35,325)
Balance, December 31, 2019	**97,143**
Amortization	(35,325)
Balance, December 31, 2020	**$ 61,818**

(Expressed in Canadian Dollars)

11. Leases (continued)

Lease liability	Total
Balance, December 31, 2018	**$ 144,413**
Interest expense	14,201
Lease payments	(46,376)
Balance, December 31, 2019	**112,238**
Interest expense	12,701
Lease payments	(47,622)
Balance, December 31, 2020	**$ 77,317**

	As at December 31, 2020	As at December 31, 2019
Short-term lease expense	**$ 42,755**	$ 37,145
Long-term lease expense	**34,562**	75,093
Total lease liability	**$ 77,317**	$ 112,238

	Under 1 year	**Between 1 - 2 years**	**Between 3 - 5 years**	**Over 5 years**	**Total**
Lease liability	$ 42,755	$ 34,562	$ -	$ -	$ 77,317

12. Convertible debentures

a) Debenture

In January 2019, the Company issued $1,511,000 of convertible non-secured debentures ("Debentures I") which mature on January 25, 2022, and issued a total of 9,066,000 common share purchase warrants ("Warrants I") with an exercise price of $0.175, exercisable until July 25, 2020. The securities issued were subject to a four month hold period which expired on May 26, 2019.

Debentures I bear simple interest at an annual rate of 6.5%, calculated on the principal amount, with any accrued but unpaid interest under Debentures I due and payable quarterly in either cash or common shares (at the option of the Company), except for the first interest payment which shall be paid in cash, with the number of common shares being determined by using the 10 day volume-weighted average price of the common shares on the TSX Venture Exchange on that date that is five days prior to the last trading day of the applicable quarter. Debentures I may be converted by the holder at any time at a price of $0.155 per common share and the conversion feature of $nil was recorded in share capital. Debentures I may be redeemed in whole or in part by the Company at any time after May 26, 2019, upon payment of the principal amount plus a premium of 2.5% of such principal amount and all accrued and unpaid interest.

Under the terms of Debentures I, other than in the ordinary course of business, the Company shall not directly or indirectly enter into a loan or borrowing arrangement with a third party lender without the prior written consent of the holders of not less than 51% of the then outstanding aggregate principal amount of the Debentures.

Two directors and officers of the Company purchased $383,000 of Debentures I under the offering.

12. Convertible debentures (continued)

a) Debenture (continued)

Finders acting in connection with this offering received finder's fees in the amount of 488,160 finder's warrants. Each finder's warrant is exercisable for one common share at an exercise price of $0.175 per common share until July 25, 2020. The finder's warrants were valued at $30,000 by using the Black-Scholes model and recorded as Contributed Surplus (see (note 15))

The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 20%. Based on this calculation, the liability component was $1,059,000, less transaction costs of $101,252, and the residual equity component was $452,000. Debentures I are accreted up to the face value of $1,511,000 over the life of the liability using the effective interest rate method, at an effective rate of 23.9%. Warrants I were valued using the residual method and Finder warrants were valued using Black-Scholes model and recorded as Contributed Surplus (see (note 15)).

On June 10, 2019 and June 26, 2019, $80,000 and $73,000 respectively, of Debentures I were converted into 516,129 and 470,967 common shares. The carrying value of the debt at the date of conversion was $52,649 and $48,737, respectively, and was recorded as Share Capital. Debentures I value were reduced by the corresponding amounts. On August 13, 2019, $263,000 of Debentures I were converted into 1,696,774 common shares with a carrying value of $178,648 and recorded as Share Capital and a reduction to Debentures I balance. An Officer and Director held $233,000 of Debentures I converted on August 13th and received 1,503,225 of the common shares.

On July 25, 2019 the Company issued 143,833 common shares at a price of $0.155 per common share in payment of $22,294 of interest owing on the Convertible Debentures I.

On October 25, 2019 the Company issued 152,031 common shares at a price of $0.121 per common shares in payment of $18,396 of interest owing on the Convertible Debentures I.

During the year ended December 31, 2020, the Debenture I was amended with the same terms as Debenture II (see note 12(b)) As a result, the Company treated it as a modification with: a maturity date of February 9, 2022; an annual interest rate of 6.5% for the first year and 10% in the second year; and a conversion feature of $0.075 for the first year and $0.10 in the second year. The Amendment was treated as an extinguishment of the old debenture and recognition of a new debenture with a gain on modification of $35,329 recognized in the statement of profit and loss. The warrants held by the debentures from the original debenture issuance were also modified to have the same terms as the warrants issued under Debenture II.

The Company used the residual value method to allocate the principal amount of the modified convertible debentures between the liability and equity components. The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 19%. Based on this calculation, the liability component was $916,000 and the residual equity component was $179,000.

On January 24, 2020, the Company issued 139,197 common shares at a price of $0.075 per common shares in payment of $19,940 of interest owing on the Convertible Debentures I.

On September 28, 2020 the Company issued 503,019 common shares at a price of $0.075 per common shares in payment of $37,727 of interest owing on the Convertible Debentures I.

On September 28, 2020, $822,000 of Debentures I were converted into 10,959,998 common shares with a carrying value of $628,045 and recorded as Share Capital and a reduction to Debentures I balance.

On December 1, 2020 the Company issued 128,526 common shares at a price of $0.10 per common shares in payment of $12,852 of interest owing on the Convertible Debentures I.

b) Debenture II

In February 2020, the Company issued $725,000 of convertible non-secured debentures (“Debentures II”) which mature on February 6, 2022, and issued a total of 8,700,000 common share purchase warrants (“Warrants II”) with an exercise price of $0.10, exercisable until February 6, 2022. The Warrants II are subject to a hold period that expires on June 9, 2020. Warrants II include an accelerated expiry clause such that the exercise period of the Warrants II will be reduced to 30 days if for any ten consecutive trading days during the unexpired term of the Warrant II (the "Premium Trading Days"), the closing price of the Company’s shares exceeds the exercise price of the Warrants by 25% (and for more certainty, the reduced exercise period of 30 days will begin no more than 7 calendar days after the tenth Premium Trading Day).

Debentures II bear interest at an annual rate of of 6.5% for the first year and 10% in the second year, calculated on the principal amount, with any accrued but unpaid interest under the Debentures II due and payable quarterly in either cash or common shares (at the option of the Company). Debentures II may be converted by the holder at any time at price of $0.075 for the first year and $0.10 in the second year, and the conversion feature of $NIL was recorded in share capital. Debentures II may be redeemed in whole or in part by the Company at any time after June 10, 2020, upon payment of the principal amount plus a premium of 2.5% of such principal amount and all accrued and unpaid interest.

Two directors and officers of the Company purchased $300,000 of Debentures under the offering.

Cash transaction costs were $35,763, and an aggregate of 117,600 finder’s warrants. Each finder’s warrant is exercisable for one common share at an exercise price of $0.10 per common share until February 6, 2022. The finder’s warrants were valued at $3,323 by using the Black-Scholes model and recorded as Contributed Surplus (see (note 15))

The Company used the residual value method to allocate the principal amount of the convertible debentures between the liability and equity components. The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 19%. Based on this calculation, the liability component was $607,000 and the residual equity component was $118,000.
On September 28, 2020 the Company issued 310,726 common shares at a price of $0.0.75 per common shares in payment of $23,305 of interest owing on the Convertible Debentures II.

During the year ended year ended December 31, 2020, $285,000 was converted into 2,466,666 common shares with a carrying value of $252,214 and recorded as Share Capital and a reduction to Debentures II balance.

On December 1, 2020 the Company issued 104,839 common shares at a price of $0.10 per common shares in payment of $10,484 of interest owing on the Convertible Debentures II.

c) Debenture III

In September 2020, the Company issued $495,000 of convertible non-secured debentures (“Debentures III”) which mature on February 6, 2022, and issued a total of 5,940,000 common share purchase warrants (“Warrants III”) with an exercise price of $0.10, exercisable until September 11, 2022. The Warrants III are subject to a hold period that expires on January 12, 2021. Warrants III include an accelerated expiry clause such that the exercise period of the Warrants III will be reduced to 30 days if for any ten consecutive trading days during the unexpired term of the Warrant III (the "Premium Trading Days"), the closing price of the Company’s shares exceeds the exercise price of the Warrants by 25% (and for more certainty, the reduced exercise period of 30 days will begin no more than 7 calendar days after the tenth Premium Trading Day).

(Expressed in Canadian Dollars)

12. Convertible debentures (continued)

c) Debenture III (continued)

Debentures III bear interest at an annual rate of of 6.5% until February 9, 2021 and 10% thereafter calculated on the principal amount, with any accrued but unpaid interest under the Debentures III due and payable quarterly in either cash or common shares (at the option of the Company). Debentures III may be converted by the holder at any time at price of $0.075 until February 9, 2021 and $0.10 thereafter, and the conversion feature of $nil was recorded in share capital. Debentures III may be redeemed in whole or in part by the Company at any time after June 10, 2020, upon payment of the principal amount plus a premium of 2.5% of such principal amount and all accrued and unpaid interest.

A directors and officers of the Company purchased $50,000 of Debentures under the offering.

Transaction cash costs were $30,984 and an aggregate of 130,200 finder's warrants. Each finder's warrant is exercisable for one common share at an exercise price of $0.10 per common share until February 6, 2022. The finder's warrants were valued at $3,270 by using the Black-Scholes model and recorded as Contributed Surplus (see (note 15))

The Company used the residual value method to allocate the principal amount of the convertible debentures between the liability and equity components. The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 19%. Based on this calculation, the liability component was $441,000 and the residual equity component was $54,000.

The following table summarizes the debt component of the debenture.

	Debenture I	Debenture II	Debenture III	Total
Balance, December 31, 2018	**$ -**	**$ -**	**$ -**	**$ -**
Issuance of debenture	1,511,000	-	-	1,511,000
Less transaction cost	(101,253)	-	-	(101,253)
Less fair value of warrants	(452,000)	-	-	(452,000)
Less conversion of debt	(280,034)	-	-	(280,034)
Less interest paid in cash	(25,833)	-	-	(25,833)
Less interest settled in shares	(40,690)	-	-	(40,690)
Less accrued interest	(13,065)	-	-	(13,065)
Accretion expense	194,812	-	-	194,812
As at December 31, 2019	**$ 792,937**	**$ -**	**$ -**	**$ 792,937**
Issuance of debenture	1,095,000	725,000	495,000	2,315,000
Extinguishment of old debt	(804,800)	-	-	(804,800)
Gain on modification	35,329	-	-	35,329
Less fair value of warrants	(179,000)	(118,000)	(54,000)	(351,000)
Less transaction cost	-	(32,724)	(34,254)	(66,978)
Less conversion of debt	(628,045)	(252,214)	-	(880,259)
Less accrued interest	(68,070)	(35,819)	(10,725)	(114,614)
Accretion expense	92,116	95,380	31,335	218,831
Balance, December 31, 2020	**$ 335,467**	**$ 381,623**	**$ 427,356**	**$ 1,144,446**

(Expressed in Canadian Dollars)

13. Share capital

a) Authorized share capital

The Company has authorized share capital of an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares without nominal or par value. No preferred shares have been issued. Common shareholders are entitled to receive dividends as declared by the Company at its discretion and are entitled to one vote per share at the Company's annual general meeting.

b) Common shares issued

	Number of common shares	Amount
Balance, December 31, 2018	**60,125,238**	**$ 28,623,802**
Private placements (i)	4,687,134	703,070
Warrants issued with private placement (note 15)	-	(331,703)
Stock options exercised	1,150,000	159,501
Fair value of stock options exercised	-	44,462
Share issuance costs	-	(51,034)
Liabilities settled with shares (ii)	840,506	107,447
Issuance cost in connection with sale of debenture (note 12)	-	(55,144)
Conversion of convertible debentures (note 12)	2,683,869	280,034
Balance, December 31, 2019	69,486,747	$ 29,480,435
Warrants exercised	5,058,000	505,800
Stock options exercised	250,000	25,000
Fair value of stock options exercised	-	9,722
Liabilities settled with shares (ii)	1,840,971	145,909
Conversion of debenture (note 12)	13,426,664	842,476
Balance, December 31, 2020	**90,062,382**	**$ 31,009,342**

i) Private Placement 2019

On October 2, 2019, the Company closed a non-brokered private placement for a total of 4,687,134 units ("Units") at a price of $0.15 per Unit for total gross proceeds of $703,070. Each Unit consists of: (i) one common share of the Company; and (ii) one common share purchase warrant (“Warrant”) with each Warrant exercisable for one common share at an exercise price of $0.175 per common share for a period of 36 months after the issuance of the Warrant. The Warrants were valued using the Black-Scholes model and recorded as Contributed Surplus (see (note 15)). All the directors and two officers of the Company subscribed for a total of 48% of the Private Placement (2,233,134 Units). The Company also incurred a total share issue cost in the amount of $62,885.

In connection with the Private Placement, the Company paid finder’s fees consisting of $480 in cash and 3,200 finder’s warrants (each a “Finder’s Warrant”). Each Finder’s Warrant entitles the holder thereof to purchase one common share at a price of $0.175 per common share for a period of 18 months from the closing of the Private Placement. The Warrants were valued using the Black-Scholes model and recorded as Contributed Surplus (see (note 15)).

13. Share capital (continued)

b) Common shares issued (continued)

ii) Liabilities settled with shares

- On July 25, 2019, the Company issued 143,833 common shares at a price of $0.153 per common share in payment of $22,007 of interest owing on the Convertible Debentures (note 12).
- On July 4, 2019, the Company issued 187,500 shares in payment of a $30,000 quarterly work fee due to financial consultants under a financial and strategic advisory services contract. The price of these shares was $0.16 per common share.
- On October 4, 2019, the Company issued 357,142 common shares to a consultant in payment of $37,500 of consulting fees at a price of $0.105.
- On October 25, 2019, the Company issued 152,031 common shares at a price of $0.118 per common share in payment for $17,396 of interest owing on the Convertible Debentures (note 12).
- On January 24, 2020, the Company issued 239,197 common shares at a price of $0.075 per common shares in payment of $19,940 of interest owing on the Convertible Debentures I (note 12).
- On September 28, 2020, the Company issued 813,745 common shares at a price of $0.075 per common shares in payment of $61,032 of interest owing on the Convertible Debentures I and II (note 12).
- On December 1, 2020 the Company issued 233,365 common shares at a price of $0.10 per common shares in payment of $23,337 of interest owing on the Convertible Debentures I and II (note 12).
- On December 1, 2020, the Company issued 400,000 shares in payment of a $30,000 quarterly work fee due to financial consultants under a financial and strategic advisory services contract and 154,666 shares in payment of a $11,600 consulting fee due to sales consultants The price of these shares was $0.075 per common share.
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14. Stock options

The Company has adopted an incentive stock option plan in accordance with the policies of the TSXV Exchange (the “Stock Option Plan”) which provides that the Board of Directors of the Company may from time to time, at 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. In addition, the number of common shares reserved for issuance in any one period to any one optionee 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 allotted to each Director, Officer, employee and consultant and all other terms and conditions of the option, subject to the rules of the Exchange.

(Expressed in Canadian Dollars)

14. Stock options (continued)

	Number of stock options	Weighted average exercise price
Balance, December 31, 2018	**3,725,000**	**$ 0.34**
Granted (i) (ii) (iii) (iv) (v) (vi)(vii)(viii)	2,235,000	0.13
Exercised	(1,150,000)	0.14
Expired	(2,160,417)	0.28
Balance, December 31, 2019	**2,649,583**	**$ 0.30**
Granted (ix)(x)	5,725,000	0.10
Exercised	(250,000)	0.10
Expired (xi)	(1,884,583)	0.31
Balance, December 31, 2020	**6,240,000**	**$ 0.12**

i) On February 5, 2019, the Company granted 560,000 common share stock options at an exercise price of $0.16 per share. Four independent directors, and the Chairman of Ventripoint's Business Advisory Committee, were granted a total of 50,000 options each, with a maturity date of five years, and vesting over one year. An officer of the Company were granted 50,000 options and employees were granted 95,000 options, with a maturity date of five years, vesting quarterly over 3 years. Consultants were granted 215,000 options; 15,000 options have a maturity date of three years and vesting over one year; 150,000 options have a maturity date of five years and vested immediately, 50,000 options have a maturity date of five years, and vesting over one year

ii) On February 13, 2019, the Company granted 75,000 options at an exercise price of $0.16 per share to a director and officer with a maturity date of five years and vesting quarterly over 3 years, and 50,000 options at an exercise price of $0.16 per share to a consultant with a maturity date of five years and vesting over one year.

iii) On May 13, 2019, the Company granted to a consultant 250,000 options with an exercise price of $0.15 per share, and to a second consultant 50,000 options with an exercise price of $0.11 per share. Both options have a term of one year and vested immediately.

iv) On June 21, 2019 the Company granted to a consultant 100,000 common share options with an exercise price of $0.15 per share, with a maturity date of one year, and vested immediately.

v) On July 25, 2019, a consultant was granted 100,000 options with an exercise price of $0.15 per share, with a maturity date of 6 months, and vested immediately.

vi) On August 15, 2019, two consultants were granted a total of 150,000 options with an exercise price of $0.15 per share, with a maturity date of one year, and which vested immediately.

vii) On October 7, 2019, the Company granted to an officer 500,000 common share options with an exercise price of $0.10 per share, with a maturity date of 5 years, vesting quarterly over 3 years. Subsequent to the issuance, the options were cancelled.

viii) On November 7, 2019, an Officer and a consultant of the Company was issued 150,000 and 250,000, stock options, respectively, with an exercise price of $0.10 per share, and vested immediately. Subsequent to the issuance, 250,000 options to the consultant was cancelled.

(Expressed in Canadian Dollars)

14. Stock options (continued)

ix) On September 28, 2020, the Company granted 5,225,000 common share options with an exercise price of $0.10 per share as follows:

- 250,000 to a consultant, with a maturity date of 1 year, and 50,000 vesting immediately, and 200,000 vesting equally over 5 months;
- 500,000 to consultants, with a maturity date of 2 years, and 350,000 vesting immediately, and 150,000 vesting equally over 5 months;
- 300,000 to a consultant, with a maturity date of 3 year, and vesting quarterly over 3 years ;
- 250,000 to an officer and a consultant, with a maturity date of 5 years, and 130,000 vesting immediately, and 120,000 vesting equally over 3 years; and
- 3,925,000 to directors, an officer, employees and consultants, with a maturity date of 10 years, and 2,305,000 vesting immediately, and 1,620,000 vesting equally over 3 years.

x) On November 2, 2020, the Company granted to a consultant 500,000 common share options with an exercise price of $0.11 per share, with a maturity date of 2 years, vesting immediately

xi) On leaving the Company unvested options expire immediately, vested options expire 90 days later. During the year ended December 31, 2020, 1,884,583 vested options expired.

Share-based compensation expense was determined based on the fair value of the options at the date of measurement using the Black-Scholes model with the following weighted average assumptions:

	December 31, 2020	December 31, 2019
Expected option life	1.50 - 10 years	0.5 - 5 years
Risk-free rate	0.25% - 2.45%	1.36% - 2.45%
Expected forfeiture rate	0.01% to 6%	6.00%
Expected volatility	78.56% - 168%	78.56% - 168%
Dividend yield	nil	nil

The Black-Scholes model used by the Company to calculate option values was developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differs from the Company's stock option awards. This model also requires four highly subjective assumptions, including future stock price volatility and average option life, which greatly affect the calculated values.

- The risk-free interest rate is based primarily on the implied yield on a Canadian Government zero-coupon issue with a remaining term equal to the expected term of the option.
- The volatility is based solely on historical volatility equal to the expected life of the option.
- The life of the options is estimated considering the vesting period at the grant date, the life of the option and expectations of early exercise.
- The forfeiture rate is an estimate based on historical evidence and future expectations.
- The dividend yield was excluded from the calculation since it is the present policy of the Company to retain all earnings to finance operations and future growth.

(Expressed in Canadian Dollars)

14. Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of December 31, 2020:

Grant price range	Weighted average exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options outstanding vested
>$0.25	0.10	7.52	5,615,000	3,508,750
$0.26 - $0.32	0.32	1.83	625,000	595,837
	0.12	**7.41**	**6,240,000**	**4,104,587**

15. Warrants

The following table reflects the continuity of warrants for the year ended December 31, 2020 and December 31, 2019:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2018	**2,408,333**	**$ 0.340**
Issued (i)(ii)	14,244,492	0.175
Balance, December 31, 2019	16,652,825	$ 0.150
Issued (ii)(iii)(v)	23,953,800	0.100
Exercised	(5,058,000)	0.100
Cancelled (iv)	(11,962,493)	0.310
Balance, December 31, 2020	**23,586,132**	**$ 0.110**

i) Private Placement 2019 (note 13)

- On October 2, 2019, the Company closed a non-brokered private placement for a total of 4,687,134 units ("Units") at a price of $0.15 per Unit for total gross proceeds of $703,070. Each Unit consists of: (i) one common share of the Company; and (ii) one common share purchase warrant (“Warrant”) with each Warrant exercisable for one common share at an exercise price of $0.175 per common share for a period of 36 months after the issuance of the Warrant. The Warrants were valued at $331,703 using the Black-Scholes model with the assumptions below.

- In connection with the Private Placement, the Company issued 3,200 finder’s warrants (each a “Finder’s Warrant”). Each Finder’s Warrant entitles the holder thereof to purchase one common share at a price of $0.175 per common share for a period of 18 months from the closing of the Private Placement. The Finders Warrants were valued at $77 using the Black-Scholes model with the assumptions below.

(Expressed in Canadian Dollars)

15. Warrants (continued)

i) Private Placement 2019 (note 13) (continued)

- The Warrants issued were valued on the grant dates using a Black-Scholes model with the assumptions:

	Warrant	Finder's Warrant
Share price	$0.10	$0.10
Expected option life	3 years	1.5 years
Risk-free rate	1.43%	1.50%
Expected volatility	138.94%	83.51%
Dividend yield	nil	nil

ii) Convertible Debenture I Private Placement (note 12)

As part of a Private Placement of Convertible Debentures I in January 2019, the Company issued 9,066,000 common share purchase warrants and 488,160 common share purchase finder's warrants with the same terms and conditions. Each Warrant and finder's warrant entitles the holder thereof to acquire one common share of the Company at an exercise price of $0.175 per common share for a period of 18 months after the issuance of the warrants on January 25, 2019. An Officer and Director of the Company purchased $233,000 of Convertible Debentures I with 1,398,000 warrants.

The warrants were initially valued on the grant date at $452,000, and the finder's warrants were valued at $30,000, both using a Black-Scholes model with the assumptions outlined below.

	January 25, 2019
Share price	$0.16
Expected option life	1.5 years
Risk-free rate	1.86%
Expected volatility	85.5%
Dividend yield	nil

iii) Convertible Debenture II Private Placement (note 12)

As part of a Private Placement of Convertible Debentures II in February 2020, the Company issued 8,700,000 common share purchase warrants and 117,600 common share purchase finder's warrants with the same terms and conditions. Each Warrant and finder's warrant entitles the holder thereof to acquire one common share of the Company at an exercise price of $0.10 per common share for a period of 24 months after the issuance of the warrants on February 6, 2022. Directors and Officer of the Company purchased $300,000 of Convertible Debentures II with 3,600,000 warrants. The residual value of the warrants attached to Convertible Debentures II is included in the $118,000 residual value of equity. (See note12).

(Expressed in Canadian Dollars)

15. Warrants (continued)

iii) Convertible Debenture II Private Placement (note 12) (continued)

Finder's warrants issued for this instruments were valued at $3,200, using a Black-Scholes model with the assumptions outlined below

	February 6, 2020
Share price	$0.075
Expected option life	2.0 years
Risk-free rate	1.49%
Expected volatility	81.0%
Dividend yield	nil

iv) In February 2020, the warrants associated to Debentures I (9,066,000 warrants outstanding) issued on January 25, 2019 were amended ("Amendment") to have the same terms and expiry date as the 8,700,000 warrants issued as part of a Private Placement of Convertible Debentures II in February 2020. The modification was accounted for as a cancellation of the old warrants followed by the issue of new warrants. There was no impact to the financial statements as a result of the modification.

v) Convertible Debenture III Private Placement (note 12)

As part of a Private Placement of Convertible Debentures III in September 2020, the Company issued 5,940,000 common share purchase warrants and 130,200 common share purchase finder's warrants with the same terms and conditions. Each Warrant and finder's warrant entitles the holder thereof to acquire one common share of the Company at an exercise price of $0.10 per common share for a period ending February 6, 2022 A director of the Company purchased $50,000 of Convertible Debentures III with 600,000 warrants. The residual value of the warrants attached to Convertible Debentures II is included in the $54,000 residual value of equity. (See note12).

Finder's warrants issued for this instruments were valued at $2,900, using a Black-Scholes model with the assumptions outlined below.

v) Convertible Debenture III Private Placement (note 12) (continued)

	September 11, 2020
Share price	$0.075
Expected option life	1.4 years
Risk-free rate	.024%
Expected volatility	83.0%
Dividend yield	nil

(Expressed in Canadian Dollars)

15. Warrants (continued)

The following table reflects the warrants outstanding as of December 31, 2020:

Number of warrants outstanding	Exercise price ($)	Expiry date
3,200	0.175	April 2, 2021
18,895,800	0.100	February 6, 2022
4,687,132	0.115	October 2, 2022 (vi)
23,586,132	**0.110**	

vi) The Company amended the 4,687,132 warrants, initially issued on October 2, 2019, at an exercise price of $0.175 per common share to $0.115 per share. All other provisions of the warrants will remain the same and all warrants will still expire on October 2, 2022. These modified warrants were allocated the residual amount for modification accounting described in note 12.

16. Government Grants and Contributions

Other Income for the year ended December 31, 2020 consists of a $176,102 contribution from the National Research Council of Canada Industrial Research Assistance Program (NRC IRAP). This funding was complete by the end of July 2020. The Company also recorded income of $48,090 under the Ontario-Canada Emergency Commercial Rent Assistance Program. The Government of Canada, in response to the global COVID-19 health crisis, launched CEBA (see note 10) and the loans have no repayment terms and are non-interest bearing during the initial term, until December 31, 2022. If the loan balances are repaid in full on or before December 31, 2022, 25% of the loans will be forgiven. The forgivable portion of the loan of $10,000 has been accounted for as a government grant.

Other Income for the year ended December 31, 2019 consists of a contribution from the National Research Council of Canada Industrial Research Assistance Program (NRC IRAP) under a Contribution Agreement for partial reimbursement of salary and contractor costs for research and development work on next generation product features. This funding was complete by the end of August, 2019.

17. Personnel costs

Personnel for the period ended December 31, 2020 and December 31, 2019 were as follows:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Salaries, fees and short-term benefits	**$ 472,998**	$ 1,188,278
Share-based compensation	**394,846**	-
Total personnel cost	**$ 867,844**	$ 1,188,278

For the year ended December 31, 2020 share-based compensation of $60,021, was expensed for consultants (year ended December 31, 2019 - $67,500), and was recorded in general and administrative, research and development and sales and marketing share-based compensation expense.

(Expressed in Canadian Dollars)

18. Finance costs

Finance costs for the year ended December 31, 2020 and December 31, 2019 were as follows:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Bank charges and fees	**$ 2,727**	$ 5,097
Interest free benefit	**(12,294)**	-
Interest expense	**10,476**	93,828
Accretion on debentures and transaction costs	**218,831**	115,223
Total finance cost	**$ 219,740**	$ 214,148

19. Loss per share

For the year ended December 31, 2020, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of $1,850,676 (year ended December 31, 2019 - $3,322,628) and the weighted average number of common shares outstanding of 74,515,947 (year ended December 31, 2019 - 63,374,776). Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.

20. Income taxes

a) Current income tax expense

Income taxes are calculated at year end only. The provision for income taxes varies from the amount that would be computed by applying the expected tax rate to income (loss) before income taxes. The principle reasons for differences between such "expected" income tax expense and the amount actually recorded are as follows for the years ended December 31, 2020 and December 31, 2019.

	Year Ended December 31, 2020	Year Ended December 31, 2019
Net loss for the year	**$ (1,850,676)**	$ (3,322,628)
Statutory rate	**26.94 %**	26.18 %
Expected tax recovery	**(486,545)**	(873,282)
Non-deductible expenses	**151,764**	58,265
Differences due to foreign jurisdiction and foreign exchange	**16,829**	(357,504)
Change in unrecognized deferred tax assets	**321,234**	1,175,993
Change in tax rates	**(3,282)**	(3,472)
Income tax provision (recovery)	**$ -**	$ -

The statutory income tax rate represented is a blended U.S. and Canadian statutory tax rate. The operations of the Company are in both Canada and in the U.S. and therefore this rate would provide a more meaningful representation of the tax consequences.

(Expressed in Canadian Dollars)

20. Income taxes (continued)

b) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Share issuance costs	**$ 66,095**	$ 93,582
Non-capital losses	**10,911,613**	10,787,893
Eligible capital expenditures	**26,951**	26,007
Payroll difference	**156,433**	307,645
Change in unrecognized temporary differences	**21,414**	21,423
Total unrecognized deferred tax assets	**$ 11,182,506**	$ 11,236,550

At December 31, 2020, the Company had Canadian tax losses of $22,496,000 (December 31, 2019 - $22,850,000) that will expire between 2026 and 2038, and U.S. tax losses of approximately $23,018,000) (December 31, 2019 - $22,969,000) which will expire between 2025 and 2038.

21. Functional expense breakdown

Components of operating expenses were as follows:

General and administration	Year Ended December 31, 2020	2019
General and administration	**$ 1,136,295**	$ 1,493,904
Share-based payments	**350,041**	121,293
Depreciation and amortization of property and equipment	**40,228**	41,149
Total general and administration	**$ 1,526,564**	$ 1,656,346

Research and development	Year Ended December 31, 2020	2019
Research and development	**$ 227,025**	$ 978,600
Share-based payments	**31,302**	47,136
Depreciation and amortization of property and equipment	**13,714**	18,304
Total research and development	**$ 272,041**	$ 1,044,040

Sales and marketing	Year Ended December 31, 2020	2019
Sales and marketing	**$ 102,261**	$ 582,016
Share-based payments	**13,503**	36,679
Depreciation and amortization of property and equipment	**998**	865
Total sales and marketing	**$ 116,762**	$ 619,560

(Expressed in Canadian Dollars)

22. Related party transactions

The company defines key management personnel as Board of Directors, Chief Executive Officer, Chief Financial Officer and Chief Science Officer.

a) Remuneration of directors and key management personnel of the Company was as follows:

	Year Ended December 31, 2020	2019
Salaries, fees and short term benefits	**$ 250,000**	$ 446,156
Share-based payments	**184,609**	71,916
Directors fees	**-**	97,019
Total remuneration	**$ 434,609**	$ 615,091

Executive Officers and Directors participate in the Stock Option Plan and the DSU Plan. Officers also participate in the Company's health plan. Directors receive monthly and meeting fees for their services.

b) Other transactions of directors and key management personnel of the Company was as follows:

i) On January 25, 2019, two directors of the Company purchased $383,000 of Convertible Debentures I (Note 12). During the year ended December 31, 2020, the Company expensed $9,778 in interest on the convertible debentures to these directors (year ended December 31, 2019 - $15,633).

ii) On February 5, 2019, the Company issued 200,000 stock options at an exercise price of $0.16 per share to four former independent directors, and the Chairman of Ventripoint's Business Advisory Committee, which have a maturity date of five years, and vesting over one year. An officer of the Company were granted 50,000 options, with a maturity date of five years, vesting quarterly over 3 years.

iii) On February 13, 2019, the Company granted 75,000 options at an exercise price of $0.16 per share to a director and officer with a maturity date of five years and vesting quarterly over 3 years.

vi) On October 2, 2019, the CEO, CFO and all the directors invested $334,970 for the purchase of 2,233,134 Units in the Private Placement ("Units") at a price of $0.15 per Unit. Each Unit consists of: (i) one common share of the Company; and (ii) one common share purchase warrant ("Warrant") with each Warrant exercisable for one common share at an exercise price of $0.175 per common share for a period of 36 months after the issuance of the Warrant.

vii) On October 7, 2019, the Company granted to an officer 500,000 common share options with an exercise price of $0.10 per share, with a maturity date of 5 years, vesting quarterly over 3 years. Subsequent to the issuance, the options were cancelled.

viii) On November 7, 2019, the Company granted to an Officer 150,000 stock options with an exercise price of $0.10 per share, with a maturity date of 5 years, and vested immediately.

iv) During the period ended December 31, 2019, the Company received $200,000 in advances. During the period ended December 31, 2020, the proceeds were converted to the debentures on February 9, 2020.

v) In February 2020, two directors of the Company purchased $300,000 of Convertible Debentures II (Note 12). During the year ended December 31, 2020, the Company expensed $17,577 in interest on the convertible debentures to these directors (year ended December 31, 2019 - $nil).

(Expressed in Canadian Dollars)

22. Related party transactions (continued)

b) Other transactions of directors and key management personnel of the Company (continued)

vi) In September 2020, a director of the Company purchased $50,000 of Convertible Debentures III (Note 12). During the year ended December 31, 2020, the Company expensed $2,608 in interest on the convertible debentures to the director (year ended December 31, 2019 - $nil).

vii) On September 28, 2020, the Company granted common share options with an exercise price of $0.10 per share as follows:

- 150,000 to an officer and a consultant, with a maturity date of 5 years, and 30,000 vesting immediately, and 120,000 vesting equally over 3 years; and
- 2,625,000 to directors and an officer, with a maturity date of 10 years, and 1,875,000 vesting immediately, and 1,620,000 vesting equally over 3 years.

viii) During the year ended December 31, 2020 and 2019, the Company granted no new DSU's to independent Directors, in recognition of their past and future services to the Company. Under the terms of the Company's Deferred Share Unit Plan, holders of DSUs may redeem each DSU for one share of common stock upon the termination of their services to the Company at no cost to the holder. DSUs are measured at fair value on the date of grant. A total of 600,000 (2019 – 600,000) DSUs have been granted; 307,500 (2019 – 37,500) DSUs have expired unused, 150,000 (2019 - 150,000) DSUs have been exercised, and 142,500 (2019 – 412,500) DSUs remain outstanding.

ix) For the year ended December 31, 2020, the Company expensed $44,989 (year ended December 31, 2019 - $nil) to Marrelli Support Services Inc. ("Marrelli") for: Victor Hugo to act as the Chief Financial Officer of the Company; and for bookkeeping services. Victor Hugo is an employee of Marrelli. These services were incurred in the normal course of operations for general accounting and financial reporting matters.

x) As at December 31, 2020, $571,432 (December 31, 2019 - $645,710) was included in accounts payable and accrued liabilities due to related parties.

23. Commitments

The Company has the following contractual obligations as of December 31, 2020:

Fiscal year ended	2021	2022	2023-2029	Total
University of Washington Technology License Minimum Annual Royalty (1)	$ 6,350	$ 6,350	$ 44,450	$ 57,150

1) The annual Royalty due to the University of Washington under the Technology License Agreement is the higher of 1.5% of gross sales or the Minimum Annual Royalty of US$5,000.

(Expressed in Canadian Dollars)

24. Geographical reporting

Revenue earned by the Company in 2020 was from equipment sales in Canada (2019 sales were equipment sales in the US and Europe). As at December 31, 2020, all intangible assets with a cost of nil, were located in the United States, while all fixed assets were in Canada (December 31, 2019 all intangible assets with a cost of $37,340, were located in the United States, while all fixed assets were in Canada).

For the year ended December 31, 2020 and as at December 31, 2020

	Canada	Asia	Europe	Total
Sales	$ 32,793	$ 30,000	$ 6,017	$ 68,810
Non-current assets	$ 87,075	$ -	$ -	$ 87,075

For the year ended December 31, 2019 and as at December 31, 2019

	Canada	USA	Europe	Total
Sales	$ 81,023	$ -	$ -	$ 81,023
Non-current assets	$ 138,252	$ -	$ -	$ 138,252

25. Subsequent events

i) Subsequent to December 31, 2020, the Company issued 4,185,000 stock options to a directors, officer, employees and consultants at an exercisable at a price between $0.10 and $0.50 share exercisable for a period of 1 year to 10 years.

ii) Subsequent to year ended December 31, 2020, the Company extended the expiry date of 10,496,938 common share purchase warrants issued by the Company in connection with a private placement financing on March 23, 2017 and previously extended to March 23, 2021, for 60 days to May 23, 2021. The Warrants to be amended do not include any warrants issued to finders or agents. No other terms of the Warrants are to be amended and the exercise price remains at $0.50.

iii) Subsequent to December 31, 2020, $373,000 of Debenture I converted to 4,973,330 shares.

iv) Subsequent to December 31, 2020, $440,000 of Debenture II converted to 5,999,996 shares.

v) Subsequent to December 31, 2020, $495,000 of Debenture III converted to 6,599,998 shares.

vi) Subsequent to December 31, 2020, 23,392,645 warrants were exercised at an exercisable at a price of between $0.10 and $0.50. The warrants would have expired between April 2, 2021 and October 2, 2022.

vii) Subsequent to December 31, 2020, 2,311,250 options were exercised at an exercisable at a price of between $0.10 and $0.25. The warrants would have expired between January 12, 2022 and January 12, 2021.

viii) Subsequent to December 31, 2020, the Company issued 142,500 shares for a DSU.

ix) Subsequent to December 31, 2020, the Company issued 96,961 common shares at a price of $0.24 per common share in payment for $23,270 of interest owing on the Convertible Debentures. The Company also issued 666,666 shares in payment of $60,000 quarterly work fee due to financial consultants under a financial and strategic advisory services contract.

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