# FluroTech Ltd.

**Consolidated Financial Statements**
**December 31, 2023**
**(In Canadian dollars)**

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
FluroTech Ltd.

***Opinion***

We have audited the accompanying consolidated financial statements of FluroTech Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, 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 material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended, in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board.

***Basis for Opinion***

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

***Material Uncertainty Related to Going Concern***

We draw attention to Note 1 of the consolidated financial statements, which indicates a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

***Key Audit Matters***

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

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

***Other Information***

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

Davidson & Company LLP

Vancouver, Canada
Chartered Professional Accountants

February 6, 2024

**FluroTech Ltd.**
**Consolidated Statements of Financial Position**
**(In Canadian dollars)**

| **As at December 31** | | **2023** | | 2022 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets | | | | |
| Cash | $ | **208,446** | $ | 313,010 |
| Term deposit (Note 17) | | **–** | | 30,210 |
| Accounts receivable (Note 17) | | **19,291** | | 72,300 |
| Prepaid expenses and deposits | | **–** | | 830 |
| **Total assets** | $ | **227,737** | $ | 416,350 |
| | | | | |
| **Liabilities** | | | | |
| Accounts payable and accrued liabilities (Note 17) | $ | **275,826** | $ | 337,785 |
| CEBA loan (Note 6) | | **–** | | 30,000 |
| Shareholder loan (Note 7) | | **132,260** | | 135,440 |
| **Total liabilities** | | **408,086** | | 503,225 |
| | | | | |
| **Shareholders' deficit** | | | | |
| Share capital (Note 8) | | **20,365,020** | | 20,365,020 |
| Contributed surplus | | **4,714,690** | | 4,709,276 |
| Deficit | | **(25,260,059)** | | (25,161,171) |
| **Total shareholders' deficit** | | **(180,349)** | | (86,875) |
| **Total liabilities and shareholders' deficit** | $ | **227,737** | $ | 416,350 |

Going concern (Note 1)

Approved on behalf of the Board of Directors:

| {Signed} | {Signed} |
|---|---|
| Sid Dutchak, Director | Dave Majeski, Director |

**FluroTech Ltd.**
**Consolidated Statements of Loss and Comprehensive Loss**
**(In Canadian dollars)**

| **For the years ended December 31** | | **2023** | | 2022 (Note 1) |
|---|---|---|---|---|
| **Expenses (recoveries)** | | | | |
| General and administrative | $ | **138,597** | $ | 317,214 |
| Research and development | | **–** | | (8,285) |
| Share-based compensation (Note 10) | | **5,414** | | 153,738 |
| Depreciation (Note 5) | | **–** | | 147,279 |
| Total expenses | | **144,011** | | 609,946 |
| **Other expenses (income)** | | | | |
| Loss on disposition of subsidiary (Note 4) | | **–** | | 47,122 |
| Property and equipment impairment (Note 5) | | **–** | | 496,285 |
| Gain on disposal of property and equipment (Note 5) | | **(37,323)** | | (2,517) |
| Accretion of CEBA loan (Note 6) | | **–** | | 4,577 |
| **Loss from continuing operations** | | **(106,688)** | | (1,155,413) |
| Income from discontinued operations, net of tax (Note 14) | | **7,800** | | 32,450 |
| **Loss for the year** | | **(98,888)** | | (1,122,963) |
| Exchange differences on translation of subsidiary | | **–** | | 28,187 |
| **Comprehensive loss** | $ | **(98,888)** | $ | (1,094,776) |
| | | | | |
| **(Loss) income per share – basic and diluted** (Note 15) | | | | |
| Continuing operations | $ | **(0.00)** | $ | (0.01) |
| Discontinued operations | $ | **0.00** | $ | 0.00 |

**FluroTech Ltd.**
**Consolidated Statements of Changes in Shareholders' Deficit**
**(In Canadian dollars)**

| **For the years ended December 31** | | **2023** | | 2022 (Note 1) |
|---|---|---|---|---|
| **Share capital** (Note 8) | | | | |
| Balance, January 1 and December 31 | $ | **20,365,020** | $ | 20,365,020 |
| **Warrants** (Note 9) | | | | |
| Balance, January 1 | | **–** | | 1,019,360 |
| Warrants expired | | **–** | | (1,019,360) |
| Balance, December 31 | | **–** | | – |
| **Contributed surplus** | | | | |
| Balance, January 1 | | **4,709,276** | | 3,536,178 |
| Warrants expired (Note 9) | | **–** | | 1,019,360 |
| Share-based compensation (Note 10) | | **5,414** | | 153,738 |
| Balance, December 31 | | **4,714,690** | | 4,709,276 |
| **Accumulated other comprehensive loss** | | | | |
| Balance, January 1 | | **–** | | (103,044) |
| Exchange differences on translation of subsidiary | | **–** | | 28,187 |
| Disposition of subsidiary (Note 4) | | **–** | | 74,857 |
| Balance, December 31 | | **–** | | – |
| **Deficit** | | | | |
| Balance, January 1 | | **(25,161,171)** | | (24,038,208) |
| Loss for the year | | **(98,888)** | | (1,122,963) |
| Balance, December 31 | | **(25,260,059)** | | (25,161,171) |
| **Total shareholders' deficit** | $ | **(180,349)** | $ | (86,875) |

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

**FluroTech Ltd.**
**Consolidated Statements of Cash Flows**
**(In Canadian dollars)**

| **For the years ended December 31** | **2023** | 2022 (Note 1) |
|---|---|---|
| **Operating activities** | | |
| Loss from continuing operations | $ **(106,688)** | $ (1,155,413) |
| Items not affecting cash: | | |
| Loss on disposition of subsidiary (Note 4) | **–** | 47,122 |
| Depreciation (Note 5) | **–** | 147,279 |
| Gain on disposal of property and equipment (Note 5) | **(37,323)** | (2,517) |
| Property and equipment impairment (Note 5) | **–** | 496,285 |
| Accretion of CEBA loan (Note 6) | **–** | 4,577 |
| Share-based compensation (Note 10) | **5,414** | 153,738 |
| Discontinued operations (Note 14) | **–** | (28,000) |
| Foreign exchange | **(3,180)** | 30,189 |
| Change in non-cash working capital: | | |
| Accounts receivable | **53,009** | 7,980 |
| Prepaid expenses and deposits | **830** | 33,604 |
| Accounts payable and accrued liabilities | **(61,959)** | 67,944 |
| Net cash used in operating activities | **(149,897)** | (197,212) |
| **Financing activities** | | |
| Repayment of CEBA loan (Note 6) | **(30,000)** | – |
| Net cash used in financing activities | **(30,000)** | – |
| **Investing activities** | | |
| Proceeds from redemption of term deposit | **30,210** | – |
| Cash disposed (Note 4) | **–** | (53,047) |
| Proceeds from sale of property and equipment (Note 5) | **37,323** | 4,513 |
| Discontinued operations (Note 14) | **7,800** | 7,751 |
| Net cash provided by (used in) investing activities | **75,333** | (40,783) |
| **Decrease in cash** | **(104,564)** | (237,995) |
| Cash, January 1 | **313,010** | 551,005 |
| **Cash, December 31** | $ **208,446** | $ 313,010 |

## 1. NATURE OF OPERATIONS AND GOING CONCERN

FluroTech Ltd. (the "Company" or "FluroTech"), incorporated under the Business Corporations Act (Alberta) by amalgamation on May 24, 2018. The Company's registered office of record is located at 520 3rd Ave S.W. Suite 1900, Calgary, Alberta, Canada.

The Company's shares trade on the NEX Board of the TSX Venture Exchange ("TSXV") under the symbol "TEST.H". The Company continues to review strategic opportunities that will qualify the Company to return to the TSXV (Note 18).

The Company acquired FluroTest Diagnostic Systems Ltd. ("Diagnostic Systems") on May 20, 2021 and sold Diagnostic Systems on December 31, 2022 (Note 4). The December 31, 2023 and 2022 consolidated statements of financial position are that of FluroTech only. The 2022 consolidated statements of loss and comprehensive loss, shareholders' deficit and cash flows include the consolidated results from January 1, 2022 to the December 31, 2022 date of disposition.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has not achieved profitable operations since its inception and at December 31, 2023 had an accumulated deficit of $25,260,059 (2022 – $25,161,171). During 2023, the Company reported a loss from continuing operations of $106,688 (2022 – $1,155,413) and net cash used in operating activities of $149,897 (2022 – $197,212). Whether and when the Company can attain profitability and positive cash flows from operations is uncertain. The factors above give rise to material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. At December 31, 2023, the Company reported a $180,349 working capital deficit (2022 – $86,875 working capital surplus).

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. Consequently, adjustments would then be necessary to the carrying value of assets and liabilities, the reported expenses and their classifications. Such adjustments, if required, could be material.

## 2. BASIS OF PRESENTATION

(a) Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") in effect as of January 1, 2023.

The consolidated financial statements were approved and authorized for issuance by the Board of Directors on February 6, 2024.

(b) Adoption of amended accounting standards

The Company adopted the following amendments to IFRS accounting standards issued by the IASB that are mandatorily effective for accounting periods beginning on or after January 1, 2023. Their adoption has not had a material impact on disclosures or amounts reported in these consolidated financial statements.

*Amendments to IAS 1 Presentation of Financial Statements*

Amendments to IAS 1 require that companies disclose its material accounting policies rather than its significant accounting policies and explain how a company can identify material accounting policies.

*Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*

Amendments to IAS 8 replace the definition of a change in accounting estimate with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments clarify that a change in an accounting estimate that results from new information or new developments is not the correction of an error.

*Amendments to IAS 12 Income Taxes*

Amendments to IAS 12 relate to deferred tax assets and liabilities arising from a single transaction and clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

(c) Basis of measurement

The consolidated financial statements have been prepared in accordance with IFRS on a historical cost basis except for financial instruments which are measured at fair value as explained in the accounting policies. Additionally, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(d) Functional and presentation currency

The functional and presentation currency of FluroTech is the Canadian dollar ("CAD").

(e) Use of judgments and estimates

The preparation of 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, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Significant estimates and underlying assumptions about the future made by management that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Impairment indicators

Judgments are required to assess when impairment indicators exist and impairment testing is required. In determining the recoverable amount of property and equipment and goodwill, in the absence of quoted market prices, impairment tests are based on estimates of future cash flows, discount rates, market values and other relevant assumptions.

Deferred tax assets

Deferred tax assets, including those arising from tax loss carryforwards, require management to assess the likelihood that the Company will generate sufficient taxable income in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

## 3. MATERIAL ACCOUNTING POLICIES

An accounting policy is considered material to the Company if it provides information to facilitate the understanding of other material information reported and disclosed in the Company's consolidated financial statements. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Company's material accounting policies are as follows:

(a) Cash

Cash includes cash and Guaranteed Investment Certificates ("GICs") on deposit at banking institutions with original maturities of less than three months.

(b) Term deposits

Term deposits consist of GICs on deposit at banking institutions with original maturities of three months or longer and are not redeemable on demand.

(c) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are assessed for impairment indicators on at least an annual basis to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's or group of asset's estimated fair value less cost of disposal ("FVLCD") and its value in use ("VIU"). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable independent cash inflows (a cash generating unit or "CGU").

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount but is limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior periods. A reversal of an impairment loss is recognized immediately in the consolidated statement of loss and comprehensive loss. The Company has one CGU and has determined that no impairment is required.

(d) Share capital

Common shares are classified as equity. The Company may issue common share warrants as part of a unit issuance comprised of a common share and common share warrant or issued as a share issue cost. Warrants are classified as equity instruments. Consideration received on the sale of a unit is allocated, within equity, to the respective share capital or warrant categories on the basis of their relative fair values. The fair value of common share warrants is measured on the date of issuance using a pricing model, such as Black-Scholes, that takes into account the terms and conditions upon which the warrants were issued. Warrants are not subsequently re-measured for changes in fair value. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity.

(e) Share-based payments

Share-based payments are comprised of stock option awards granted to employees, directors and others which are equity-settled share-based payments.

These equity-settled share-based payments are measured at the fair value of the equity instruments and are recognized as an employee expense with the offsetting credit as an increase to contributed surplus.

Upon exercise of the stock option, the Company issues new shares. The associated fair value amount is reclassified from the contributed surplus to share capital. The proceeds received, net of any directly attributable transaction costs, are credited to share capital when the options are exercised. Where equity instruments are granted to non-employees they are recorded at the fair value of the goods or services received. Where the fair value of goods or services received cannot be reliably measured it is measured based on the fair value of the equity instrument granted.

(f) Loss per share

The Company presents basic and diluted loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares to the extent that that are not antidilutive.

(g) Financial instruments

The Company measures its financial assets and liabilities at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification, which in the case of financial assets, is determined by the context of the Company's business model and contractual cash flow characteristic of the financial asset. Financial assets are classified into two categories: (1) measured at amortized cost and (2) fair value through profit and loss ("FVTPL"). Financial liabilities are subsequently measured at amortized cost, other than financial liabilities that are measured at FVTPL, or designated as FVTPL, where any change in fair value resulting from an entity's own credit risk is recorded as other comprehensive income ("OCI").

The Company classifies its cash, accounts receivable, term deposits, accounts payable and accrued liabilities and shareholder loan at amortized cost. The contractual cash flows received from the financial assets are solely the payment of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. These financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method. The carrying value of the Company's cash, accounts receivable, accounts payable and accrued liabilities and shareholder loan approximate their fair values due to their short term of maturity.

The Company does not currently have any risk management contracts. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with changes in fair value charged immediately to the consolidated statement of loss and comprehensive loss.

(h) Taxes

Tax expense or recovery on the income or loss for the period is comprised of current and deferred tax. Taxes are recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax is recognized using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for goodwill, not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable income. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the asset can be utilized.

**(In Canadian dollars)**

(i) Foreign currencies

Transactions in currencies other than the Company's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences on monetary items are recognized in the consolidated statement of loss and comprehensive loss in the period in which they arise.

(j) Discontinued operations

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or classified as held for sale. Operations and cash flows can be clearly distinguished from the rest of the Company, both operationally and for financial reporting purposes. When the Company classifies an operation as a discontinued operation, it represents the comparative consolidated statement of loss and comprehensive loss as if the operation had been discontinued from the start of the comparative year. In doing this, the Company excludes the results for the discontinued operations and any gain or loss from disposal from the consolidated statement of loss and comprehensive loss from continuing operations and presents them on a separate line as profit or loss (net of tax) from the discontinued operation. Per share information and changes to other comprehensive loss related to discontinued operations are presented separately from continuing operations. Cash flows from discontinued operations are presented separately from cash flows from continuing operations in the consolidated statements of cash flows.

(k) Amended standards not yet adopted

The Company has reviewed new and amended accounting pronouncements that have been issued but are not yet effective and determined that the following amendments are applicable to the Company but are not expected to have a material impact:

*Amendments to IAS 1 Presentation of Financial Statements*

Effective January 1, 2024, amendments to IAS 1 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability as current or non-current.

## 4. DISPOSITION OF FLUROTEST DIAGNOSTIC SYSTEMS LTD.

On December 31, 2022, the Company sold all of the issued and outstanding shares of Diagnostic Systems to an arms-length individual for $1 of cash consideration. Immediately prior to the disposition, FluroTech impaired the amount due from Diagnostic Systems to a balance of $52,599 which is included in accounts receivable (Note 17), resulting in the recognition of a $47,122 loss on disposition of subsidiary in the 2022 consolidated statement of loss and comprehensive loss.

| | | |
|---|---|---|
| Carrying amount of net assets (liabilities) sold: | | |
| Cash | $ | 53,047 |
| Accounts receivable | | 145 |
| Accounts payable and accrued liabilities | | (28,327) |
| Due to FluroTech | | (52,599) |
| Exchange differences on translation of subsidiary | | 74,857 |
| | | 47,123 |
| Cash consideration (Note 5(b)) | | 1 |
| Loss on disposition of subsidiary | $ | 47,122 |

**(In Canadian dollars)**

## 5. PROPERTY AND EQUIPMENT

| | | Lab equipment | | Computer equipment and software | | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance, December 31, 2021 | $ | 746,704 | $ | 27,602 | $ | 774,306 |
| Disposition (a) | | (9,026) | | – | | (9,026) |
| Foreign exchange | | 50,823 | | 901 | | 51,724 |
| Write-off of fully impaired assets | | (679,537) | | (11,853) | | (691,390) |
| Balance, December 31, 2022 | | 108,964 | | 16,650 | | 125,614 |
| Disposition (a) | | (49,885) | | – | | (49,885) |
| Balance, December 31, 2022 | $ | 59,079 | $ | 16,650 | $ | 75,729 |
| **Accumulated depreciation and impairment** | | | | | | |
| Balance, December 31, 2021 | $ | 146,646 | $ | 16,941 | $ | 163,587 |
| Depreciation | | 142,420 | | 4,859 | | 147,279 |
| Disposition (a) | | (7,030) | | – | | (7,030) |
| Impairment (c) | | 489,989 | | 6,296 | | 496,285 |
| Foreign exchange | | 16,476 | | 407 | | 16,883 |
| Write-off of fully impaired assets | | (679,537) | | (11,853) | | (691,390) |
| Balance, December 31, 2022 | | 108,964 | | 16,650 | | 125,614 |
| Disposition (a) | | (49,885) | | – | | (49,885) |
| Balance, December 31, 2022 | $ | 59,079 | $ | 16,650 | $ | 75,729 |
| **Net carrying amount** | | | | | | |
| As at December 31, 2022 | $ | – | $ | – | $ | – |
| As at December 31, 2023 | $ | – | $ | – | $ | – |

(a) During 2023, the Company disposed of assets used in continuing operations with a carrying amount of $nil (2022 – $1,996) for net proceeds of $37,323 (2022 – $4,513), resulting in a gain on disposal of $37,323 (2022 – $2,517).

(b) On December 30, 2022, the Company acquired all property and equipment owned by Diagnostic Systems for $1 of cash consideration.

(c) In late 2022, the Company identified impairment indicators with respect to its property and equipment such as the decision to exit the pandemic emerging disease industry and halt development of its Pandemic and Emerging Disease Defense Platform announced on November 29, 2022. The Company performed an impairment test and determined that the recoverable amount of property and equipment (based on FVLCD) was lower than the carrying amount resulting in the recognition of $496,285 of impairment in the 2022 consolidated statement of loss and comprehensive loss.

## 6. CEBA LOAN

On April 20, 2020, the Company received a $40,000 from the Canadian federal government under the Canada Emergency Business Account (“CEBA”) program as a business support measure for COVID-19. If 75% ($30,000) of the CEBA loan is repaid on or before December 31, 2023, the loan forgiveness repayment deadline, the remaining 25% ($10,000) of the CEBA loan will be forgiven. The Company repaid $30,000 of this loan on December 20, 2023.

During 2023, the Company recognized $nil (2022 – $4,577) of accretion on the CEBA loan.

**(In Canadian dollars)**

## 7. SHAREHOLDER LOAN

The Company has a $100,000 United States dollar denominated, unsecured, non-recourse, non-interest bearing loan due on demand to a shareholder of the Company for which the December 31, 2023 CAD equivalent amount of the loan was $132,260 (December 31, 2022 – $135,440).

## 8. SHARE CAPITAL

(a) Authorized:

An unlimited number of voting common shares, no par value
An unlimited number of preferred shares, no par value

(b) Issued common shares:

| | Number of shares | | Amount |
|---|---|---|---|
| Balance, December 31, 2021, 2022 and 2023 | 120,685,541 | $ | 20,365,020 |

## 9. WARRANTS

A continuity of warrants is as follows:

| | Common share warrants | Broker warrants | Total number of warrants | | Weighted average exercise price | | Allocated fair value amount |
|---|---|---|---|---|---|---|---|
| Balance, December 31, 2021 | 15,943,220 | 625,193 | 16,568,413 | | 0.37 | | 1,019,360 |
| Expired | (15,943,220) | (625,193) | (16,568,413) | | (0.37) | | (1,019,360) |
| Balance, December 31, 2022 and 2023 | – | – | – | $ | – | $ | – |

## 10. STOCK OPTIONS

The Company has an equity-settled stock option plan under which the Board of Directors may grant stock options to directors, officers, other employees and key consultants. The purpose of the plan is to advance the interests of the Company by encouraging these individuals to acquire shares in the Company and thereby remain associated with and seek to maximize the value of the Company.

Under the plan, the number of shares reserved for issuance pursuant to the exercise of all stock options under the plan may not exceed 10% of the issued and outstanding common shares on a non-diluted basis at any time. Stock options expire not more than ten years from the date of grant, or earlier if the individual ceases to be associated with the Company, and vest over terms determined at the time of grant.

A continuity of stock options is as follows:

| | Number of stock options | | Weighted average exercise price |
|---|---|---|---|
| Balance, December 31, 2021 | 9,566,570 | $ | 0.28 |
| Expired | (25,000) | | (0.43) |
| Forfeited | (100,000) | | (0.45) |
| Cancelled | (3,535,050) | | (0.31) |
| Balance, December 31, 2022 | 5,906,520 | $ | 0.25 |
| Expired | (650,000) | | (0.50) |
| Cancelled | (5,256,520) | | (0.22) |
| Balance, December 31, 2023 | – | $ | – |

**(In Canadian dollars)**

On December 31, 2022, the Company cancelled 3,535,050 stock options granted to certain directors, officers and employees of the Company.

In January 2023, all of the Company's stock option holders were given written notice that all stock options outstanding as of April 1, 2023 would be cancelled on April 1, 2023.

During 2023, the Company recognized $5,414 (2022 – $153,738) of share-based compensation expense. As at December 31, 2023, the remaining unvested share-based compensation was $nil.

## 11. PERSONNEL EXPENSES:

(a) Salaries and benefits

The Company's consolidated statement of loss and comprehensive loss is prepared primarily by nature of expense, with the exception of $nil (2022 – $127,435) of salaries and benefits for employees and executive management which are included in general and administrative expenses for the year ended December 31, 2023.

(b) Key management compensation

The Company considers its key management personnel to consist of its officers and directors. The Company's directors and officers participate in the Company's stock option plan. As at December 31, 2022, key management personnel included 5 individuals (2021 – 6 individuals) and the related compensation recognized in the consolidated statement of loss and comprehensive loss comprised the following:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Salaries and benefits | $ | – | $ | 114,255 |
| Director fees | | – | | 8,785 |
| Share-based compensation | | – | | 20,307 |
| | $ | – | $ | 143,347 |

As at December 31, 2023, accounts payable and accrued liabilities included $211,234 (December 31, 2022 – $211,234) due to these key management personnel.

## 12. RELATED PARTY TRANSACTIONS

AB Photonics is a related corporation as it is controlled by certain of the directors and officers of the Company and it owns approximately 24% of the Company's outstanding shares.

During 2023, the Company incurred $825 (2022 – $39,958) of expenses on behalf of AB Photonics, of which $318 is included in accounts receivable as at December 31, 2023 (December 31, 2022 – $440).

## 13. TAXES

The following table reconciles the expected tax recovery at the statutory tax rate to the expense in the consolidated statement of loss and comprehensive loss:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Loss from continuing operations before taxes | $ | (106,688) | $ | (1,155,413) |
| Statutory tax rate | | 23% | | 23% |
| Expected tax recovery | | (24,539) | | (265,745) |
| Non-deductible items | | 3,040 | | 53,696 |
| Tax return filings and other | | (976,623) | | (46,454) |
| Disposition of subsidiary | | – | | 919,416 |
| Change in tax benefit not recognized | | 998,122 | | (660,913) |
| Tax expense | $ | – | $ | – |

**(In Canadian dollars)**

Details of unrecognized deductible temporary differences are as follows:

| As at December 31 | | 2023 | | 2022 |
|---|---|---|---|---|
| Equipment | $ | 224,373 | $ | 313,183 |
| Share issue costs | | 135,730 | | 207,912 |
| SR&ED expenditure pool | | 4,344,748 | | 4,344,748 |
| Non-refundable investment tax credits | | 443,096 | | 443,096 |
| Net capital losses | | 8,813,946 | | 160,835 |
| Non-capital losses | | 10,129,304 | | 9,874,790 |
| | $ | 24,091,197 | $ | 15,344,564 |

The Company has $10,129,304 of Canadian non-capital loss carry-forwards which will begin to expire in 2036. The Company's non-refundable investment tax credit carry-forward will begin to expire in 2038.

## 14. DISCONTINUED OPERATIONS

Discontinued operations relates to spectroscopy testing technology for in-house cannabis testing which was discontinued in 2020.

(a) Net income from discontinued operations:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Other income | | | | |
| Gain on disposal of property and equipment | | 7,800 | | 7,751 |
| Gain on settlement of accounts payable | | – | | 24,699 |
| Income from discontinued operations, net of tax | $ | 7,800 | $ | 32,450 |
| Income per share – basic and diluted (Note 15) | $ | 0.00 | $ | 0.00 |

During 2023, the Company disposed of assets from discontinued operations with a carrying amount of $nil (2022 – $nil) for proceeds of $7,800 (2022 – $7,751), resulting in a gain on disposal of $7,800 (2022 – $7,751).

During 2022, the Company settled $52,699 of disputed accounts payable related to its discontinued operations with a cash payment of $28,000 and recognized a $24,699 gain on settlement of accounts payable.

(b) Net cash flows provided by (used in) discontinued operations:

| For the years ended December 31 | | 2023 | | 2022 |
|---|---|---|---|---|
| Operating activities | | | | |
| Income from discontinued operations | $ | 7,800 | $ | 32,450 |
| Items not affecting cash: | | | | |
| Gain on disposal of property and equipment | | (7,800) | | (7,751) |
| Change in non-cash working capital: | | | | |
| Accounts payable and accrued liabilities | | – | | (52,699) |
| Net cash used in operating activities | | – | | (28,000) |
| Investing activities | | | | |
| Proceeds on disposal of property and equipment | | 7,800 | | 7,751 |
| Net cash provided by investing activities | | 7,800 | | 7,751 |
| Net cash provided by (used in) discontinued operations | $ | 7,800 | $ | (20,249) |

(In Canadian dollars)

## 15. PER SHARE AMOUNTS

| For the years ended December 31 | | 2023 | | 2022 |
|---|---|---|---|---|
| Loss from continuing operations | $ | (106,688) | $ | (1,155,413) |
| Income from discontinued operations | $ | 7,800 | $ | 32,450 |
| | | | | |
| Number of common shares outstanding, January 1 | | 120,685,541 | | 120,685,541 |
| Effect of shares issued (Note 8) | | – | | – |
| Basic and diluted [1] weighted average number of shares | | 120,685,541 | | 120,685,541 |
| **Loss per share – basic and diluted** | | | | |
| Continuing operations | $ | (0.00) | $ | (0.01) |
| Discontinued operations | $ | 0.00 | $ | 0.00 |

(1) There were no dilutive equity instruments outstanding at December 31, 2023. Stock options outstanding at December 31, 2022 were excluded from the diluted per share amounts for the year ended December 31, 2022 as they were out-of-the-money and their effect is anti-dilutive in loss periods.

## 16. CAPITAL MANAGEMENT

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages the capital structure and adjusts it considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets. As at December 31, 2023, the Company's outstanding debt consists of the shareholder loan (Note 7). The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company defines capital as the aggregate of the CEBA loan, shareholder loan and total shareholder's equity, less cash.

## 17. FINANCIAL INSTRUMENTS AND RISK FACTORS

At December 31, 2023, the Company's financial instruments consist of cash, term deposits, accounts receivable, accounts payable and accrued liabilities and shareholder loan, all of which are reported at amortized cost. The fair values of the Company's financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

*Fair value hierarchy*

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

**(In Canadian dollars)**

The Company is exposed to the following risks as at December 31, 2023:

*Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfil its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks at December 31, 2023 consist principally of the carrying amount of cash and accounts receivable.

All the Company’s cash is held at a financial institution which is a Canadian Chartered Bank. Management believes that the risk of loss is minimal, but the Company is subject to concentration of credit risk.

The Company’s accounts receivable is typically collected within 30 to 60 days of the consolidated statement of financial position date and is comprised of the following:

| As at December 31 | | 2023 | | 2022 |
|---|---|---|---|---|
| Goods and Services Tax | $ | 1,573 | $ | 1,495 |
| Excise Tax | | 17,400 | | 17,400 |
| Due from Diagnostic Systems (Note 4) | | – | | 52,599 |
| Due from related party (Note 12) | | 318 | | 440 |
| Other | | – | | 366 |
| | $ | 19,291 | $ | 72,300 |

Although the Excise Tax receivable is over 365 days old, management has determined that it is collectible.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations with cash. As at December 31, 2023, the Company's financial liabilities consist of accounts payable and accrued liabilities and the shareholder loan. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. There have been no changes in the Company's strategy with respect to credit/liquidity risk in the period.

The timing of cash outflows relating to the Company’s financial liabilities are as follows:

| | Carrying amount | Contractual cash flows | 1 year | 2 – 5 years |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Accounts payable and accrued liabilities | 275,826 | 275,826 | 275,826 | – |
| Shareholder loan (Note 7) | 132,260 | 132,260 | 132,260 | – |
| | 408,086 | 408,086 | 408,086 | – |

*Market risks*

Market risks are generally risks that are outside the control of the Company such as interest rate risk, foreign exchange rate risk and other price risk and that changes in these risks may have an effect on future cash flows associated with financial instruments.

As at December 31, 2023, the Company does not have any investments or debt subject to floating rates and is therefore not exposed to interest rate risk. Following the disposition of its subsidiary, the Company is no longer exposed to foreign exchange rate risk. The Company is not aware of any other price risks that would have a material impact on the consolidated financial statements.