INNOMEDTECH LTD.

Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(Expressed in US dollars)

RSM

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Innomed Tech Ltd.

Opinion

We have audited the consolidated financial statements of Innomed Tech Ltd., (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019 and the consolidated statements of operations and comprehensive income, changes in stockholders'/members' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 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.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $2,044,024 and cash-flow deficit from operations of $1,224,907 during the year ended December 31, 2020. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
December 10, 2021
Toronto, Ontario

INNOMED TECH LTD.
Consolidated statements of financial position
As at December 31, 2020 and 2019
(Expressed in US dollars)

		2020		2019
Assets				
Current				
Cash	**$**	**3,562**	$	231,269
Due from CIC Capital Ltd. (Note 3)		**50,226**		-
Prepaid expenses		**185,706**		-
Due from Innovative Medicine Partners LLC (Note 4)		**-**		359,531
Total assets	**$**	**239,494**	$	590,800
Liabilities				
Current				
Accounts payable and accrued liabilities (Note 5)	**$**	**240,470**	$	768,921
Loan payable to CIC Capital Ltd. (Note 6)		**17,200**		-
		257,670		768,921
Non-current				
Derivative liabilities (Note 7)		**2,928,848**		-
Promissory note (Note 8)		**-**		500,000
		2,928,848		500,000
Total liabilities		**3,186,518**		1,268,921
Shareholders'/members' deficiency				
Share capital (Note 8)		**6,428,929**		-
Membership units (Note 8)		**-**		5,856,450
Warrant reserve (Note 8)		**366,517**		-
Deficit		**(9,742,470)**		(6,534,571)
Total shareholders'/members' deficiency		**(2,947,024)**		(678,121)
Total liabilities and shareholders'/members' deficiency	**$**	**239,494**	$	590,800

Subsequent events (Note 15)

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

INNOMED TECH LTD.
Consolidated statements of operations and comprehensive income
For the years ended December 31, 2020 and 2019
(Expressed in US dollars)

		2020		2019
Expenses				
Legal and professional fees (Notes 9 and 10)	**$**	**1,560,268**	$	405,540
Change in fair value of derivative liabilities (Note 7)		**273,969**		-
Salaries and wages		**93,705**		-
Interest expense		**50,000**		-
Foreign exchange loss		**40,058**		-
Patent/research and development (Note 10)		**23,831**		725,230
General administration		**2,193**		10,011
Management fees (Note 10)		**-**		360,000
Automobile expense		**-**		81
Marketing and multimedia (Note 10)		**-**		19,825
Share-based payments		**-**		66,250
Net loss and comprehensive loss	**$**	**2,044,024**	$	1,586,937

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

INNOMED TECH LTD.
Consolidated statements of changes in stockholders'/members' deficiency
For the years ended December 31, 2020 and 2019
(Expressed in US dollars)

	Class I Units	Class II Units	Class III Units	Share Capital		Warrant Reserve	Deficit	Total Shareholders' /Members' Deficiency
	$	$	$	# of Shares	Amount $	$	$	$
Balance, January 1, 2019	-	1,223,750	1,970,000	-	-	-	(4,947,634)	(1,753,884)
Issuance of units		2,596,450	66,250	-	-	-	-	2,662,700
Net loss and comprehensive loss	-	-	-	-	-	-	(1,586,937)	(1,586,937)
Balance, December 31, 2019	-	3,820,200	2,036,250	-	-	-	(6,534,571)	(678,121)
Innomed Two LLC. Member unit conversion	**-**	**(3,820,200)**	**(2,036,250)**	**32,493,566**	**4,300,707**	**1,555,743**	**-**	**-**
Recognition of derivative liabilities on Class II units conversion	**-**	**-**	**-**	**-**	**(310,877)**	**(1,555,743)**	**-**	**(1,866,620)**
Loan conversion	**-**	**-**	**-**	**1,896,552**	**326,017**	**-**	**-**	**326,017**
Issuance of units	**-**	**-**	**-**	**6,482,758**	**949,207**	**366,517**	**-**	**1,315,724**
Issuance of shares for no consideration	**-**	**-**	**-**	**6,927,826**	**1,163,875**	**-**	**(1,163,875)**	**-**
Net loss and comprehensive loss	**-**	**-**	**-**	**-**	**-**	**-**	**(2,044,024)**	**(2,044,024)**
Balance, December 31, 2020	**-**	**-**	**-**	**47,800,702**	**6,428,929**	**366,517**	**(9,742,470)**	**(2,947,024)**

Innomed Tech Ltd. acquired Innomed Two, LLC (PureFlowCath, LLC) on April 15, 2020.

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

INNOMED TECH LTD.
Consolidated statements of cash flows
For the years ended December 31, 2020 and 2019
(Expressed in US dollars)

		2020		2019
Cash provided by (used in)				
Operations				
Net loss	**$**	**(2,044,024)**	$	(1,586,937)
Items not affecting cash				
Shares issued for professional fees		**900,000**		-
Interest converted to shares		**50,000**		-
Change in fair value of derivative liabilities		**273,969**		-
Share-based payments		**-**		66,250
		(820,055)		(1,520,687)
Changes in non-cash working capital				
Prepaid expenses		**(185,706)**		-
Due from CIC Capital Ltd.		**(50,226)**		-
Due from Innovative Medicine Partners, LLC		**359,531**		(1,229,293)
Accounts payable and accrued liabilities		**(528,451)**		(233,431)
		(1,224,907)		(2,983,411)
Financing				
Loan payable to CIC Capital Ltd.		**17,200**		-
Proceeds from promissory note		**-**		500,000
Issuance of shares		**980,000**		-
Contributions		**-**		2,596,450
		997,200		3,096,450
Net change in cash		**(227,707)**		113,039
Cash, beginning of the year		**231,269**		118,230
Cash, end of the year	**$**	**3,562**	$	231,269
Non-cash financing activity				
Conversion of promissory note and related interest into equity	**$**	**550,000**	$	-

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

1. NATURE OF OPERATIONS, CONTINUANCE OF BUSINESS AND GOING CONCERN

Innomed Tech Ltd. (the "Company") was incorporated and registered on November 22, 2019 under the General Corporation Law of the State of Delaware, with the name InnoMedTech, Inc. On May 27, 2020, the Company continued (change of jurisdiction of incorporation) into British Columbia ("BC") Canada under the Business Corporation Act (British Columbia) as InnoMed Tech Ltd. The Company is in the business of developing medical devices, medical digital or science inventions. The address of the registered office of the Company is Suite 1000 – 409 Granville Street, Vancouver, BC Canada V6C 1T2.

The Company was subject to a transaction on April 15, 2020, which involved inserting a new parent company at the top of PureFlowCath, LLC [formerly Innomed Two, LLC] ("PureFlowCath"). The parent company (the Company), a 'shell' company, issued shares to the existing controlling shareholders of PureFlowCath. Control remained the same before and after April 15, 2020. The Company has determined this transaction to be a common control business acquisition and has been accounted for using the pooling of interest method, whereby the combined assets and liabilities of the Company and PureFlowCath are recorded at their existing carrying value and no goodwill is recognized. All comparative figures reflect those of PureFlowCath only.

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

The Company is subject to several risks associated with the successful development of new products and their marketing and the conduct of its clinical studies and their results, in addition to the uncertainties presented by the COVID-19 pandemic. It is likely that the product developed by the Company will require approval from the U.S. Food and Drug Administration and equivalent organizations in other countries before sales can be authorized. For the year ended December 31, 2020, the Company incurred a loss of $2,044,024 (2019 - $1,586,937) and cash-flow deficit from operations of $1,224,907 (2019 - $2,983,411). The Company's future operations are dependent upon its ability to secure additional funds to finance patent applications to approval, its research and development activities and in the longer-term clinical studies. It is not possible to predict whether the Company will be successful, securing new financing, patent application approvals and obtain approval from the U.S. Food and Drug Administration and equivalent organization in other countries.

There can be no assurance that management will be successful in its efforts to generate sufficient cash-flow or that it will ever develop a self-supporting business. These factors may cast significant doubt on the Company`s ability to continue as a going concern. These consolidated financial statements do not reflect any adjustments to the carrying amounts which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements.

1. NATURE OF OPERATIONS, CONTINUANCE OF BUSINESS AND GOING CONCERN (continued)

The Company has been closely monitoring developments related to the novel strain of coronavirus, specifically identified as “COVID-19”, including the existing and potential impact on global and local economies. The Company has implemented its business continuity plan ensuring minimal interruption to the business. Governments worldwide have since put in place various measures to contain the spread of the virus, which have directly and indirectly impacted many businesses. The COVID-19 pandemic presented some challenges in delays in raising financing but otherwise did not have any other significant impact on the Company's consolidated financial statements. The longer term impacts of the COVID-19 situation will depend on future developments which are highly uncertain, rapidly evolving and difficult to predict. These impacts may differ in magnitude depending on a number of scenarios, which the Company continues to monitor and take into consideration.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

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

These consolidated financial statements were approved for issue by the Board of Directors on December 10, 2021.

(b) Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis.

(c) Amended Accounting Standards Adopted

The Company has adopted all the new or amended Accounting Standards and Interpretations issued by the IASB that are mandatory for the current reporting period.

The following amendments are most relevant to the Company:

- Amendments to IFRS 3 *Business Combinations* improve the definition of a business. The amendments help entities determine whether an acquisition made is of a business or a group of assets. The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Amended Accounting Standards Adopted (continued)

- *Definition of Material (Amendments to IAS 1 Presentation of Financial Statements ["IAS 1"] and to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ["IAS 8"])* is intended to make the definition of material in IAS 1 easier to understand and is not intended to alter the underlying concept of materiality in IFRS Standards. The concept of "obscuring" material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence". The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1.

The adoption by the Company of the amendments listed above did not have any impact on the Company's consolidated financial statements.

(d) Standards issued but not yet effective

The following amendment to an existing standard has been issued and is applicable to the Company beginning on June 1, 2020 and thereafter, with an earlier application permitted:

- *COVID-19 Related Rent Concessions* (Amendment to IFRS 16*, Leases*): i) provide lessees with a practical expedient that relieves a lessee from assessing whether a COVID-19-related rent concession is a lease modification; ii) require lessees that apply the practical expedient to account for COVID-19-related rent concessions as if they were not lease modifications.

The following amendments to existing standards have been issued and are applicable to the Company for its annual period beginning on January 1, 2022 and thereafter, with an earlier application permitted:

- Reference to the Conceptual Reference to the Conceptual Framework – Amendments to IFRS 3 *Business Combinations*
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- Annual Improvements to IFRS Standards 2018–2020.

The following amendments to existing standards have been issued and are applicable to the Company for its annual period beginning on January 1, 2023 and thereafter, with an earlier application permitted:

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1;
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2;
- Definition of Accounting Estimates – Amendments to IAS 8; and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 *Income Taxes*.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Standards issued but not yet effective (continued)

The Company is currently evaluating the impacts of adopting these amendments on its consolidated financial statements.

(e) Functional and Presentation Currency

These consolidated financial statements are presented in United States dollars, which is the Company's functional currency.

(f) Significant Estimates and Assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Determining the fair value of services received in exchange for share-based payments
From time to time the Company issues common shares for services or non-cash assets. The Company's Board of Directors determines the fair market value of the services or non-cash assets received in exchange for common shares. These transactions are typically valued using the fair value of common shares issued.

Valuation of the "down-round" provision in debt and equity agreements
Certain debt and equity financing agreements contain a "down-round" provision that allows for the issuance of incremental common shares and warrants if the provision in the agreements is triggered. Management judgment is required to determine the probability of the triggering event to occur and the number of incremental common shares and warrants that could be issued, which is dependent on the Company's share price in the future. The valuation method and assumptions used in valuing the derivative liabilities are disclosed in Note 7.

Valuation of warrants
The Company uses the Black-Scholes option pricing model to determine the fair value of stock options in order to calculate stock-based compensation expense. The Black-Scholes model involves six key inputs to determine fair value of a stock option: risk-free interest rate, exercise price, market price at the date of issue, expected dividend yield, expected life and expected volatility. Certain of the inputs are estimates that involved considerable judgment and are or could be affected by significant factors that are out of the Company's control.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Research and Development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are 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 complete development and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are expensed as incurred. No internal development costs have been capitalized to date.

Research and development expenses include all direct and indirect operating expenses supporting the products in development.

The costs incurred in establishing and maintaining patents are expensed as incurred.

(h) Share-based Payments

The Company issues share-based payments to employees or consultants. The fair value of the shares issued is recognized over the applicable vesting period as compensation expense unless there are no vesting requirements in which case the entire amount is recognized immediately.

(i) Unit Share Issuances

For unit share issuances consisting of common shares and warrants, the Company uses the Black-Scholes option pricing model in determining the fair value of warrants. The proceeds from the issuance of units are first allocated to the warrants and the residual amount, being the difference between the proceeds from issuance and the fair value of the warrants, is allocated to common shares.

(j) Derivative Liabilities

Certain debt and equity financing agreements contain a “down-round” provision that allows for the issuance of incremental common shares and warrants if the provision in the agreements is triggered.

The Company accounts for warrants as either equity instruments or derivative liabilities, depending on the specific terms of the warrant agreement. Warrants are accounted for as a financial liability if the warrants contain a “down-round” provision and, therefore, do not meet the ‘fixed-for-fixed’ condition under IAS 32 Financial Instruments: Presentation (“IAS 32”). The Company will continue to classify the fair value of the warrants that contain “down-round” provision as a liability until the warrants are exercised, expire or are amended in a way that would no longer require these warrants to be classified as a liability.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Derivative Liabilities (continued)

On initial recognition, (1) the fair value of the derivative on outstanding warrants with "down-round" provision is determined using an option pricing model, (2) the fair value of the derivative on incremental common shares is determined based on the estimated incremental common shares that could be issued and estimated share price in the future, which is then applied with a probability and discount rate to arrive at the present value of the liability, and (3) the fair value of the derivative on incremental warrants is based on an option pricing model, which is then applied with a probability and discount rate to arrive at the present value of liability. These amounts are measured at fair value to profit or loss. Changes in the fair value of the derivative liabilities are charged to operations.

The remainder of the proceeds is allocated to the share capital.

(k) Financial Instruments

Classification and measurement of financial instruments
Financial assets are required to be initially measured at fair value and subsequently classified at amortized cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Company's financial assets includes cash, due from CIC Capital Ltd. and due from Innovative Medicine Partners LLC, which are classified at amortized cost because the Company's business model is to hold these financial instruments to maturity to collect contractual cash flows consisting solely of payments of principal and interest on the principal amount outstanding.

Financial liabilities include accounts payable and accrued liabilities, loan payable to CIC Capital Ltd. and promissory note which were initially measured at fair value and subsequent classified as amortized cost.

Impairment of financial assets
For the impairment of financial assets under IFRS 9, the Company is required to apply an expected credit loss ("ECL") model to all debt financial assets not held at FVTPL, where credit losses that are expected to transpire in future years are provided for, irrespective of whether a loss event has occurred or not as at the date of the statement of financial position. The Company recognizes a loss allowance for expected credit losses on loan receivables which are measured at amortized cost. The measurement of the loss allowance depends upon the Company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial Instruments (continued)

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognized is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets, with the exception of loan receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statement of operations and comprehensive loss.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statement of operations and comprehensive loss for the period to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(l) Income Taxes

Deferred tax is recognized using the liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, the deferred tax is not recognized if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred taxation asset is realized or the deferred tax liability is settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

3. DUE FROM CIC CAPITAL LTD.

Due from CIC Capital Ltd. comprises of cash held with CIC Capital Ltd., a shareholder and advisor to the Company, that is due on demand and non-interest bearing.

4. DUE FROM INNOVATIVE MEDICINE PARTNERS LLC

As at December 31, 2020, amount due of nil (2019: $359,531) from Innovative Medicine Partners, LLC ("IMP"), a shareholder, was non-interest bearing, had no fixed terms of repayment and was secured against common shares held in the Company.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in the accounts payable and accrued liabilities are amounts owed to the previous key members of management of PureFlowCath, including certain company and consultants related to them, in the amount of $203,020 (2019: $751,596) arising from provision of research and development, professional and marketing services.

Subsequent to year-end, the outstanding balance was settled as part of the settlement agreement disclosed in Note 15.

6. LOAN PAYABLE TO CIC CAPITAL LTD.

Loan payable to CIC Capital Ltd., a shareholder and advisor to the Company, is unsecured, non-interest bearing and has no fixed terms of repayment.

7. DERIVATIVE LIABILITIES

Certain debt and equity financing agreements contain a "down-round" provision that allows for the issuance of incremental common shares and warrants if after a 30-day continuous trading on a designated stock exchange, the Company's average share price is lower than the then-subscription price of $0.29 per unit. The "down-round" feature was determined by the Company to be a financial liability since it creates an obligation to issue a variable number of shares. Thus, it does not meet the 'fixed-for-fixed' condition in IAS 32.

As a result of down-round provision, the Company has identified derivative liabilities on outstanding warrants with "down-round" provision and on incremental common shares and warrants that could be issued if the "down-round" provision is triggered.

Derivative liabilities are remeasured at year-end, with changes in fair value recognized in profit or loss.

(Expressed in US dollars)

7. DERIVATIVE LIABILITIES (continued)

Changes in fair value of derivative liabilities during the year are as follows:

	Outstanding warrants with "down-round" feature	"Down-round" feature on warrants	"Down-round" feature on common shares	Total
Balance, January 1, 2020	$ -	$ -	$ -	$ -
Issuance during the year (Note 8)	2,192,002	167,261	295,616	2,654,879
Change in fair value	206,363	24,413	43,193	273,969
Balance, December 31, 2020	$ 2,398,365	$ 191,674	$ 338,809	$ 2,928,848

The change in fair value of the derivative liabilities is presented as a separate line on the consolidated statement of operations and other comprehensive income.

Valuation of derivative on incremental common shares

On initial recognition, the Company assumed that the probability of the share price to go down by 20% is 25% and the probability of the share price to remain at the then-subscription price of $0.29 or to go higher is 75%. Accordingly, the Company recognized $295,616 in liability for incremental common shares on initial recognition. The fair value of the liability for incremental common shares as of December 31, 2020 is $338,809.

Valuation of derivative on outstanding warrants and incremental warrants

The valuation method and inputs used in the valuation of the derivative on outstanding warrants on the date of grant are disclosed in Note 8.

As of December 31, 2020, the fair value of the derivative on outstanding warrants and incremental warrants was determined using the Black-Scholes pricing model with the following assumptions:

	Outstanding warrants	Incremental warrants
Number of warrants	18,448,965	10,628,208
Exercise price	$0.29	$0.29
Share price	$0.16	$0.23
Risk-free rate	0.39%	1.05%
Expected volatility	146%	129%
Expected dividend yield	0%	0%
Expected life (in years)	4.00	1.75

(Expressed in US dollars)

7. DERIVATIVE LIABILITIES (continued)

On initial recognition, the Company assumed that the probability of the share price to go down by 20% is 25% and the probability of the share price to remain at the then-subscription price of $0.29 or to go higher is 75%. Accordingly, the Company recognized $167,261 in liability for the incremental warrants on initial recognition. The fair value of the liability for incremental warrants as of December 31, 2020 is $191,674.

Fair value hierarchy

The fair value of outstanding warrants with “down-round” provision is classified under Level 2 fair value hierarchy.

The fair value of both incremental shares and warrants is classified under Level 3 fair value hierarchy.

The following table summarizes the quantitative information about the significant unobservable inputs used in the fair value measurements of incremental shares and warrants as of December 31, 2020.

Key unobservable inputs	Relationship of unobservable inputs to fair value
Probability that the “down-round” provision will be triggered - 25%	The lower the probability, the lower the fair value
Magnitude of share price reduction - 20%	The lower the share price below the then-subscription price of $0.29, the higher the incremental common shares and warrants that could be issued. The higher the incremental shares and warrants, the higher the fair value
Discount rate - 30%	The higher the discount rate, the lower the fair value

There were no transfers between any levels during the year.

(Expressed in US dollars)

8. SHARE CAPITAL AND RESERVES

Subsequent to conversion to shares in the Company

Authorized
Unlimited common shares without par value.

Common shares

47,800,702 common shares were issued during year ended December 31, 2020.

PureFlowCath Member unit's conversion to shares in the Company

On April 15, 2020, the Company acquired all Class I and III Member Units of PureFlowCath by way of issuing 228,777 shares in the Company for every member unit in PureFlowCath. This transaction involved inserting a new parent company at the top of PureFlowCath. The parent company (the Company), a 'shell' company, issued shares to the existing controlling shareholders and is a common control acquisition. The Company acquired Class II Member Units in PureFlowCath by way of issuing shares at $0.29 per share with a full warrant exercisable for one common share at $0.29 per common share on or before December 31, 2026. The conversion agreements entered into with Class II unitholders contain a "down-round" feature, which is fully disclosed in Note 7.

Member Units PureFlowCath			Conversion to Common Shares of the Company			Total Common Shares of the Company
Class I	**Class II**	**Class III**	**Class I**	**Class II**	**Class III**	
71.66	11.00	17.34	16,490,247	13,173,103	2,830,216	**32,493,566**

The fair value of the warrants was calculated using the Black-Scholes option pricing model with the following assumptions:

Warrants issued	13,173,103
Exercise price	$0.29
Share price	$0.17
Risk-free interest rate	0.41%
Expected volatility	106%
Expected life of warrants	4.8 years
Expected dividend yield	0%
Fair value	$1,555,743
Fair value per warrant	$0.12

All warrants granted are classified as a financial liability because they do not meet the 'fixed-for-fixed' criteria in IAS 32 (see Note 7).

(Expressed in US dollars)

8. SHARE CAPITAL AND RESERVES (continued)

Shares Issued for Subscription and Services

The Company issued 3,379,310 units under various subscription agreements entered between April 2020 and August 2020 for $0.29 per unit for net proceeds totalling $980,000. Each unit consists of one share and a full warrant exercisable for one common share at $0.29 per common share on or before December 31, 2026. The subscription agreements in respect of this financing contain a “down-round” feature, which is fully disclosed in Note 7.

On April 15, 2020, the Company issued 3,103,448 common shares plus a full warrant exercisable for one common share at $0.29 per common share on or before December 31, 2025 as consideration for professional services of $900,000 received from CIC Capital Ltd.

The fair value of the warrants was calculated using the Black-Scholes option pricing model with the following assumptions:

Warrants issued	6,482,758
Exercise price	$0.29
Share price	$0.15 - $0.17
Risk-free interest rate	0.23 - 0.41%
Expected volatility	106 - 196%
Expected life of warrants	4.3 - 4.8 years
Expected dividend yield	0%
Fair value	$778,793
Fair value per warrant	$0.12 - $0.14

As presented:		
Warrant liability	$	412,276
Warrant reserve		366,517
Total	$	778,793

Loan Conversion (Promissory Note)

On December 28, 2019, PureFlowCath issued an unsecured promissory note for $500,000, bearing interest of 10% per annum, with principal and interest due on April 1, 2021. On April 4, 2020, the principal amount of $500,000 plus $50,000 interest was converted into equity in the Company at $0.29 per unit or 1,896,552 units. Each unit consists of one common share and one warrant. Each warrant is exercisable for one common share at $0.29 per common share on or before December 31, 2025. The amended agreement in respect of this financing contains a “down-round” feature, which is fully disclosed in Note 7.

(Expressed in US dollars)

8. SHARE CAPITAL AND RESERVES (continued)

The fair value of the warrants was calculated using the Black-Scholes option pricing model with the following assumptions:

Warrants issued	1,896,552
Exercise price	$0.29
Share price	$0.17
Risk-free interest rate	0.41%
Expected volatility	106%
Expected life of warrants	4.8 years
Expected dividend yield	0%
Fair value	$223,983
Fair value per warrant	$0.12

All warrants granted are classified as a financial liability because they do not meet the 'fixed-for-fixed' criteria in IAS 32 (see Note 7).

Shares Issued for No Consideration

During the year ended December 31, 2020, the Company issued 6,927,826 common shares to certain individual and institutional investors for no consideration, but these investors are required to purchase 5 common shares on the market for each common share issued to them when the Company is listed on a designated exchange. The shares issued were recorded at fair value, with corresponding increase in deficit. The fair value of the shares was based on most recent arm's length financing transactions.

Warrants

As of December 31, 2020, there were 21,552,413 warrants issued and outstanding with an exercise price of $0.29 and all expire on December 31, 2026. Of these warrants, 18,448,965 warrants were presented as part of the derivative liabilities.

<u>Prior to conversion to shares in the Company</u>

Authorized

The authorized unit capital of the Company consists of 3 units of ownership: Class I Units (100 units), Class II Units (33.5 units) and Class III Units (15 units).

Member Units Issued

As of December 31, 2019 and conversion, the Company had issued 100 units of Class I Units[(a)], 16.38 units of Class II Units [(ii)] and 9.75 Class III Units [(iii)].

(i) Class I Units are voting
(ii) Class II Units are non voting
(iii) Class III Units are for the purpose of compensating certain consultants and professionals and are non voting

(Expressed in US dollars)

9. LEGAL AND PROFESSIONAL FEES

Components of legal and professional fees for the year are as follows:

		2020		2019
Patent and trademark legal fees	$	**101,664**	$	173,451
Legal and professional fees		**1,396,998**		170,114
Accounting and audit		**61,606**		61,975
	$	**1,560,268**	$	405,540

10. RELATED PARTY TRANSACTIONS

The following transactions occurred with related parties:

		2020		2019
Purchase of professional services from CIC Capital Ltd., a shareholder in 2020 (i)	$	**1,000,700**	$	-
Purchase of management services from IMP, a shareholder		**-**		360,000
Purchase of research and development services from a consultant related to the President and Chief Operating Officer of PureFlowCath		**-**		480,000
Purchase of research and development services from consultants that are part of the management team of IMP		**-**		180,000
Purchase of professional services from two minority shareholders		**47,125**		129,559
Purchase of marketing services from a company with common ownership as the Company		**-**		6,950

(i) Of the professional services, $900,000 was paid through the issuance of common shares and warrants. See Note 8.

11. INCOME TAXES

The following table reconciles income tax recovery calculated at the basic Canadian corporate tax rate with the income taxes recorded in these consolidated financial statements:

		2020
Loss before income taxes	$	(2,044,024)
Combined federal and provincial income tax rate		26.5%
Income tax recovery at statutory rate		541,666
Tax effect of:		
Temporary differences for which no deferred tax income asset has been recognized		(559,166)
Net income not taxable as an Alabama corporation prior to move to Canada (PureFlowCath)		17,500
Income tax expense	$	-

12. MANAGEMENT OF CAPITAL

The Company defines its capital as share capital and deficit. The Company's objectives when managing capital are to ensure there are sufficient funds available to carry out its research and development programs. To date, these programs have been funded through the sale of equity securities.

The Company also intends to source non-dilutive funding by accessing grants, government assistance and tax incentives, and through partnerships with corporations and research institutions. The Company uses budgets and purchasing controls to manage its costs. The Company is not exposed to any externally imposed capital requirements.

13. FINANCIAL INSTRUMENTS

Fair Value

Cash and accounts payable and accrued liabilities and loan payable to CIC Capital Ltd. are all short-term in nature and, as such, their carrying values approximate fair values.

Risks

The Company has exposure to credit risk, liquidity risk and interest rate risk.

(a) 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 from the Company's cash and amounts due from related parties. The carrying amount of these financial assets represents the maximum credit exposure. The Company follows an investment policy to mitigate against the deterioration of principal and to enhance the Company's ability to meet its liquidity needs. Cash are on deposit with a major American bank.

(b) 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 is a development stage company and is reliant on external fundraising to support its operations. Once funds have been raised, the Company manages its liquidity risk by investing in cash and short-term instruments to provide regular cash flow for current operations. It also manages liquidity risk by continuously monitoring actual and projected cash flows.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company was exposed to interest rate price risk to the extent that the promissory note was at a fixed interest rate.

14. SECURITIZATION AGREEMENT

PureFlowCath entered into an agreement dated October 26, 2019 with CIC Fund Securitisation Fund S.A., a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg, acting as an unregulated securitization company (*société de titrisation*) within the meaning of, and governed by, the Luxembourg Securitization Law. Pursuant to the agreement, CIC Fund Securitisation Fund S.A. agrees to provide services in relation to the securitization of PureFlowCath's intellectual property in Luxembourg. Such services include the establishment of a dedicated PureFlowCath compartment to facilitate debt financing of €90,000,000, with the first note raising €10,000,000. As consideration, PureFlowCath agreed to pay CIC Fund Securitisation S.A. CAD$12,726 (€8,700) in cash, administration fee of 4.2% of value of a note issued for the life of the securitization entity and €93,000 on completion of the securitization transaction. At year-end, the securitization transaction is still in progress.

15. SUBSEQUENT EVENTS

On February 5, 2021, IMP and previous key members of management, including certain company and consultants related to them, reached a settlement with the Company regarding dispute over past operation and management of PureFlowCath by IMP and regarding the number of shares issued on April 15, 2020 to IMP in exchange for its membership units in PureFlowCath. As part of the settlement, IMP was required to return 4,869,441 common shares valued at $0.29 per common share. On February 18, 2021, IMP returned 4,869,441 common shares to the Company. In addition, amounts owed to previous key members of management, including certain company and consultants related to them, were discharged.

On October 19, 2021, the board of directors approved the issuance of 500,000 warrants to each of the five directors of the Company, and to the director of PureFlowCath as founder's warrants.