

CVR Medical Corp.
Condensed Interim Consolidated Financial Statements
Six Months Ended June 30, 2022
(Expressed in U.S. Dollars)
(Unaudited)

The accompanying unaudited interim financial statements have been prepared by Management of CVR Medical Corp. and have not been reviewed by the Company's auditors.

CVR Medical Corp.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in U.S. Dollars)

	June 30, 2022 (unaudited)	December 31, 2021 (audited)
	\$	\$
Assets		
Current		
Cash	30,235	94,410
Taxes and other receivables	3,838	3,169
Total Current Assets	34,073	97,579
Equipment	–	31
Intangible assets (Note 7)	1	1
Total Assets	34,074	97,611
Liabilities and Shareholders' Deficit		
Liabilities		
Current		
Accounts payable	1,228,630	1,264,158
Accrued liabilities	54,842	45,879
Due to CVR Global, Inc. (Note 9)	2,080,587	2,098,971
Due to related parties (Note 9)	530,872	370,601
Promissory notes payable (Notes 9(d) and 10)	569,328	500,505
Total Current Liabilities	4,464,259	4,280,114
Promissory notes payable (Note 9(d))	–	27,764
Due to former CEO (Note 6)	264,357	245,519
Total Liabilities	4,728,616	4,553,397
Shareholders' Deficit		
Share capital (Note 11)	25,489,122	25,444,122
Equity reserves (Note 12)	2,440,387	2,427,504
Accumulated other comprehensive income	269,734	240,904
Deficit	(32,893,785)	(32,568,316)
Total Shareholders' Deficit	(4,694,542)	(4,455,786)
Total Liabilities and Shareholders' Deficit	34,074	97,611
Going Concern (Note 2)		

Approved on behalf of the Board:

"Paul Blunden" Director

"Phil Bendick" Director

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

CVR Medical Corp.
Condensed Interim Consolidated Statements of Comprehensive Loss
(Expressed in U.S. dollars)
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30,	
	2022	2021	2022	2021
			\$	\$
Expenses				
Bank charges	569	368	923	708
Depreciation	—	63	31	124
Director's fees (Note 9)	95,620	36,563	191,626	72,563
Foreign exchange loss (gain)	52,119	(58,849)	14,822	(70,785)
Office and general	331	49,920	1,880	55,065
Professional fees	7,209	11,020	22,512	123,571
Rent	(8)	2,056	2,068	4,069
Research and development costs	—	86	—	26,919
Severance expense (Note 6)	9,645	10,013	18,838	19,556
Share-based compensation expense (recovery) (Note 8)	(2,338)	(230,314)	12,883	(93,163)
Travel and entertainment	—	—	—	—
Transfer agent and filing fees	7,876	13,636	21,119	13,968
(Loss) income before other expense	(171,023)	165,438	(286,702)	(152,595)
Other expense				
Interest expense (Notes 9 and 10)	(19,569)	(17,742)	(38,767)	(35,703)
Net (loss) income	(190,592)	147,696	(325,469)	(188,298)
Other comprehensive income (loss):				
Foreign currency translation	61,738	(46,861)	28,830	(47,436)
Comprehensive (loss) income	(128,854)	100,835	(296,639)	(235,734)
Loss (income) per share – basic and diluted	(0.00)	0.00	(0.00)	(0.00)
Weighted average number of shares outstanding	106,439,887	101,377,872	105,837,228	101,377,872

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

CVR Medical Corp.
Condensed Interim Consolidated Statement of Changes in Equity
(Expressed in U.S. dollars)
(Unaudited)

	Common Shares		Equity Reserves	Accumulated Other Comprehensive Income	Deficit	Total
	Number	Amount				
		\$	\$	\$	\$	\$
Balance, December 31, 2020	101,377,872	25,354,122	2,470,659	239,706	(30,750,696)	(2,686,209)
Share-based compensation recovery pursuant to restructuring agreement	—	—	(100,454)	—	—	(100,454)
Share-based compensation	—	—	7,291	—	—	7,291
Foreign currency translation	—	—	—	(47,436)	—	(47,436)
Net loss	—	—	—	—	(188,298)	(188,298)
Balance, June 30, 2021	101,377,872	25,354,122	2,377,496	192,270	(30,938,994)	(3,015,106)
Balance, December 31 2021	105,227,872	25,444,122	2,427,504	240,904	(32,568,316)	(4,455,786)
Issuance of units for cash	2,005,334	45,000	—	—	—	45,000
Share-based compensation pursuant to restructuring agreement	—	—	12,883	—	—	12,883
Foreign currency translation	—	—	—	28,830	—	28,830
Net loss	—	—	—	—	(325,469)	(325,469)
Balance, June 30, 2022	107,233,206	25,489,122	2,440,387	269,734	(32,893,785)	(4,694,542)

At June 30, 2022, the Company held 25,000,000 (December 31, 2021 – 25,000,000) common shares in escrow pursuant to the Restructuring Agreement with CVR Global, Inc., which will be released upon the achievement of certain milestones (Note 8(a)). The shares held in escrow are not included in the number of common shares outstanding above.

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

CVR Medical Corp.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in U.S. dollars)
(Unaudited)

	Six Months Ended June 30,	
	2022	2021
	\$	\$
Cash (used in) provided by:		
Operating activities		
Net loss	(325,469)	(188,298)
Items not involving cash:		
Depreciation	31	124
Share-based compensation expense	12,883	(93,163)
Severance expense	18,838	19,556
Net changes in non-cash working capital items:		
Accrued interest on promissory notes payable	33,311	26,285
Taxes and other receivables	(669)	(3,148)
Prepaid expenses	—	(296)
Accounts payable	(36,044)	58,522
Accrued liabilities	9,097	(14,972)
Due to CVR Global, Inc.	(18,384)	174,092
Due to related parties	160,271	40,525
Net cash (used in) provided by operating activities	(146,135)	19,227
Financing activities		
Proceeds from issuance of units for cash	45,000	—
Proceeds from promissory notes payable	7,885	53,423
Net cash provided by financing activities	52,885	53,423
Effect of foreign exchange on cash	29,075	(74,751)
Decrease in cash	(64,175)	(2,101)
Cash, beginning of period	94,410	3,448
Cash, ending of period	30,235	1,347
Supplemental disclosures:		
Interest paid	—	—
Income tax paid	—	—

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

1. Corporate Information

CVR Medical Corp. (the "Company") was incorporated on December 10, 1980 under the British Columbia Business Corporations Act. The Company is a healthcare company that operates in the medical device industry focused on the commercialization of its disruptive, proprietary Carotid Stenotic Scan ("CSS") device (the "Device"). The Device is a diagnostic tool that encompasses subsonic, infrasonic, and low frequency sound wave analysis technology. The Device is a patented device designed to detect and measure carotid arterial stenosis. The Company was previously engaged in an equal parts joint operation with CVR Global, Inc. ("CVR Global") to commercialize the Device, which was terminated pursuant to a restructuring agreement (Note 8). The Company's common shares trade on the TSX Venture Exchange ("Exchange"). The Company's head office and registered office is 409 – 221 West Esplanade, North Vancouver, British Columbia, V7M 3J3.

2. Basis of Presentation

a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2021, which have been prepared in accordance with IFRS as issued by IASB. The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended December 31, 2021.

The consolidated financial statements were authorized for issue by the Board of Directors on August 29, 2022.

b) Basis of presentation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, CVRM, Inc. ("CVRM"), a company incorporated on February 9, 2018, in the State of Delaware. All inter-company balances and transactions have been eliminated on consolidation.

The condensed interim consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable.

c) Going concern of operations

The condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has incurred significant net losses and negative cash flows from operations. The Company incurred a net loss of \$325,469 during the six months ended June 30, 2022, and, as of that date the Company's deficit was \$32,893,785. The continuation of the Company as a going concern is dependent on its ability to obtain additional equity capital to finance existing operations and attaining future profitable operations. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. These condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, the amount and classification of liabilities that would be necessary should the Company be unable to continue as a going concern.

d) Critical judgments in applying accounting policies

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates.

These condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. Basis of Presentation (continued)

Assumptions about the future and other sources of estimation uncertainty that management has made at the reporting date 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:

i) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision.

ii) Intangible Assets

Management has exercised their judgement in determining if the patents and license are impaired. The judgement is based on the expected future benefit of the intangible assets.

iii) Share-Based Payment Transactions

The Company measures the cost of equity-settled transactions with parties other than employees by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 8 and 12.

iv) Determination of Functional Currency

In accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, management has determined that the functional currency of the Company is the Canadian dollar and the functional currency of the Company's subsidiary, CVRM, is the U.S. dollar.

3. Recent Accounting Pronouncements

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's condensed interim consolidated financial statements.

4. Financial Risk Factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2022, the Company has a cash balance of \$30,235 (December 31, 2021 - \$94,410) and current liabilities of \$4,464,259 (December 31, 2021 - \$4,280,114). The Company's accounts payable and accrued liabilities have contractual maturities of less than 60 days and are subject to normal trade terms. The Company's due to CVR Global and certain promissory note payable are due on demand. The ability of the Company to continue to commercialize diagnostic devices and maintain its working capital is dependent on its ability to secure additional equity or debt financing. The liquidity risk is assessed as high.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Cash consists of bank accounts held with Canadian and United States chartered banks from which management believes the risk of loss is remote. The Company's maximum exposure to credit risk is equal to the carrying value of the financial assets.

4. Financial Risk Factors (continued)

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances and interest-bearing promissory notes payable with fixed interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institution. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks. The Company is not exposed to any significant interest rate risk.

Foreign Exchange Risk

Foreign exchange risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to foreign activities. The Company's research and development activities are performed in the United States and, as a result, a significant portion of the Company's expenditures are made in U.S. dollars. However, certain of the Company's equity financings and expenditures are denominated in Canadian dollars. Foreign currency risk reflects the risk that the Company's earnings will be impacted by fluctuations in exchange rates. Foreign exchange risk arises from purchase transactions as well as financial assets and liabilities denominated in foreign currencies. The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk.

5. Capital Management

The Company considers its cash, common shares, stock options, and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the commercialization of diagnostic devices and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk level. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of one year or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. The Company is not subject to externally imposed capital requirements and there were no changes in its approach to capital management during the six months ended June 30, 2022.

6. Loan Receivable from CVR Global, Inc.

On August 1, 2017, CVR Global entered into a Commercial Sub-lease Agreement (the "Agreement") with LJ Trader, Inc., a company owned by the former CEO of the Company ("Former CEO"), which leased the property from the owner. The property being leased (the "Property") was the head office of the Company and was also the personal residence of the Former CEO. The property also was used by CVR Global corporate meetings. The Former CEO individually held an option to purchase the property that expired on November 29, 2019.

As the Company and CVR Global did not have a formal office in the immediate area, the Property was to be used for local independent contractors, who perform daily management, administrative and research and development activities and services on behalf of CVR Global. The Property required leasehold improvements to make it suitable for larger meetings and for independent contractors and Board Members who meet and also stay overnight at the Property.

At December 31, 2020, the Company had provided a total of \$130,659 to CVR Global to fund leasehold improvements incurred by CVR Global on the Property (the "Recoverable Costs"). Pursuant to a sub-lease agreement between CVR Global and LJ Trader Inc., and an agreement between CVR Global and the Company, these costs were to be reimbursed to CVR Global in the event the Former CEO exercised his option to purchase the Property and the Property was subsequently sold. Furthermore, pursuant to a subsequent agreement between the Company and CVR Global dated July 30, 2019, CVR Global was required to pay to the Company an amount equal to \$130,659 (the "Loan"), which bears interest at 6% per annum, within 2 business days of receipt of sale proceeds by the Former CEO (the "Payment Date"). Management of CVR Global were responsible for collecting the funds from the Former CEO. CVR Global acknowledged and agreed that if CVR Global had not repaid the Loan within 2 business days of the Payment Date, the Company had the right to deduct an amount equal to the Loan from any invoices then due or due in the future from the Company to CVR Global up to an amount equal to the Loan.

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For the Six Months Ended June 30, 2022
(Expressed in U.S. dollars)
(Unaudited)

6. Loan Receivable from CVR Global, Inc. (continued)

The Restructuring Agreement (Note 8(a)), effective November 1, 2018, had a clause which indicated that any and all amounts due between the Company and CVR Global would be forgiven upon completing the restructuring. However, as set forth in the above referenced agreement, management of both the Company and CVR Global have separately agreed that the costs relating to the \$130,659 in property improvement costs would be considered separately and that these costs were not subject to the debt forgiveness clause. During the year ended December 31, 2019, the Company recognized a write-off of the loan receivable and accrued interest from CVR Global of \$138,499 due to uncertainty of collection as a result of the resignation of the former CEO of the Company in November 2019. During the year ended December 31, 2020, the Company amended the repayment terms of the Loan.

On April 25, 2020, the Board of Directors of the Company approved a compensation package to the former CEO of the Company. Pursuant to the agreement, the Company agreed to pay the former CEO a total of \$500,000 in severance to be paid in monthly installments of \$15,000 for a total of 34 months. These payments begin only within 30 days upon receipt of the first tranche of funding over \$1,000,000 received by the Company. In the event that the Company's month-end cash balance is less than \$200,000, payment may be paused, and no default will apply. In addition, the principal balance of the Loan of \$130,639 shall be repaid directly by the former CEO, rather than CVR Global, by deducting \$5,000 from the monthly severance installments for a total of 26 months. As the Company has previously recorded a balance of \$208,667 owing to the former CEO, a severance expense of \$291,333 was recorded during the year end December 31, 2020. Management estimated that the payment to the former CEO will start in March 2023 based on the Company's ability to raise the \$1,000,000 equity financing. The payable was discounted using a 15% effective interest rate over the estimated payment period. The discount on the present value of the loan and accretion were recorded in severance expense.

A continuity of the payment owing to former CEO is as follow:

	\$
Balance, December 31, 2021	245,519
Accretion	18,838
Balance, June 30, 2022	264,357

7. Intangible Assets

Intangible assets are comprised of the following:

	Patents \$
Carrying amounts	
Balance at December 31, 2021 and June 30, 2022	1

Effective September 16, 2016, the Company acquired patents (the "Patents") underlying a diagnostic device developed by CVR Global for the detection and measurement of the Device in consideration for 7,000,000 common shares of the Company with a fair value of CDN\$1,470,000. As at December 31, 2021, the Company recorded an impairment of \$1,172,764 due to the uncertainty in obtaining financing to complete the device and the Company otherwise being able to generate an economic return through sale or use.

8. Restructuring Agreements

- a) On October 31, 2018, the Company and CVR Global closed a Restructuring Agreement, whereby the Company acquired CVR Global's 50% interest in a joint operation and the joint operation was terminated in favor of commercialization of the CSS Device in the Company's wholly-owned subsidiary, CVRM. The Company and CVR Global licensed all necessary patents and technology for the commercialization of the CSS Device and CVR Global terminated and relinquished its share of profits from the joint operation. Additionally, CVRM entered into a CSS Commercialization Agreement, whereby CVRM retained CVR Global as the exclusive developer and manufacturer of the CSS Device with funding to be provided by CVRM. The initial term of the CSS Commercialization Agreement is 20 years, which renews for successive 5-year terms unless terminated by the Company or CVR Global. As consideration under the Restructuring Agreement, the Company issued 3,000,000 common shares upon closing of the agreement and placed 27,000,000 common shares in escrow, which will be released to CVR Global upon achievement of the following milestones:
- 2,000,000 common shares upon submission of the CSS Device to the FDA (released January 16, 2019);
 - 10,000,000 common shares upon FDA clearance and approval of the CSS Device;
 - 15,000,000 common shares upon achievement of US\$50,000,000 in revenue from the sales of the CSS Device.

In addition, the Company granted a 7% royalty on all CSS Device sales and a 3% royalty on all associated disposable sales.

In accordance with IFRS 2, *Share-based Payment*, the common share consideration was deemed to be granted to non-employees. As a result, the Company is required to measure the fair value of the equity instruments by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service. Since the fair value of the services received cannot be reliably estimated, the Company measured the services received by reference to the fair value of the common shares issued to CVR Global, which is based on the Company's stock price.

Under IFRS 2, the achievement milestones are non-market vesting conditions. The Company received its final approval from the Exchange on October 31, 2018, at which time the transaction closed. The vesting date for the first milestone was determined to be the date of closing of the Restructuring Agreement (October 31, 2018), at which point the closing stock price of the Company's common shares was CDN\$0.285 per share. The vesting date for the second milestone was determined to be January 4, 2019, the date of submission of the CSS Device to the FDA, at which point the closing stock price of the Company's common shares was CDN\$0.34 per share. The remaining unvested shares will be re-measured based on the stock price of the Company's common shares at each period-end until they vest, at which point their fair value becomes "locked-in". The fair value of the unvested common share consideration is also adjusted to reflect management's best available estimate of the number of shares that are expected to vest. During the six months ended June 30, 2022, the Company recognized a share-based compensation expense of \$12,883 (2021 – recovery of \$100,454) related to the vesting of the common share consideration.

- b) Pursuant to the Amended Restructuring Agreements (2nd Agreement dated October 16, 2020 and 3rd Agreement dated December 4, 2020), CVR Global will transfer to the Company all of CVR Global's intellectual property, assets and contracts necessary to commercialize the CSS Device in consideration for 55,000,000 units of the Company. Each unit will consist of one share of common stock and one common share purchase warrant. Each warrant shall entitle the holder to purchase one common share at a price of Cdn\$0.10 per share. The Company shall also release from escrow, the remaining 25,000,000 common shares referred to in Note 8(a). Further, the Company shall not pay to CVR Global any indebtedness claimed by CVR Global to be due and owing prior to the date of the 3rd Agreement. The Company may elect, in its discretion, to pay any third-parties engaged by CVR Global, including any past due sums due and owing, in order to facilitate development, FDA approval, manufacturing, marketing, and sale of the CSS Device or for advancement or application of the technology.
- c) On April 24, 2021, the Company and CVR Global entered into an Amended Restructuring Agreement ("4th Agreement"). Pursuant to the 4th Agreement, CVR Global will transfer to the Company all of CVR Global's intellectual property, assets and contracts necessary to commercialize the CSS Device in consideration for 8% of manufacturer's suggested retail price for CSS products and 20,000,000 units of the Company. Each unit will consist of one common share and one share purchase warrant at a price of Cdn\$0.10 per share for a period of five years. The Company shall also release from escrow, the remaining 25,000,000 common shares referred in Note 8(a). The Company also agreed to assume and agree to settle and pay \$3,160,419 of liabilities for CVR Global. The 4th Agreement is subject to the approval of the Company's shareholders and the Exchange and has not yet closed.

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9. Related Party Transactions

	Six Months Ended June 30, 2022 \$	Six Months Ended June 30, 2021 \$
Director fees incurred to directors	191,626	72,000
Share-based compensation paid to directors and officers	–	7,291

- a) As at June 30, 2022, the Company owed \$499,872 (December 31, 2021 - \$339,601) to current and former directors, officers and a company controlled by a former officer of the Company. The amounts are unsecured, non-interest bearing and due on demand.
- b) As at June 30, 2022, the Company owed a shareholder of the Company \$31,000 (December 31, 2021 - \$31,000) for advances. The amounts is unsecured, non-interest bearing and due on demand.
- c) As at June 30, 2022, the Company owed CVR Global a total of \$2,080,587 (December 31, 2021 - \$2,098,971) for research and development expenses pursuant to the Commercialization Agreement (Note 8).
- d) During the six months ended June 30, 2022, the Company received total proceeds of \$7,885 from the issuance of a promissory notes to a director of the Company, which bears interest at 15% per annum, is unsecured, and has a term of 12 months. As at June 30, 2022, the Company has accrued interest on the promissory notes of \$76,959 (December 31, 2021 - \$54,171). Of the \$314,248 (December 31, 2021 – \$360,534) principal and interest owing to officers and directors of the Company, a total of \$314,248 (December 31, 2021 – \$332,770) is due within 12 months.

10. Promissory Notes Payable

- a) On July 25, 2018, the Company issued a promissory note, whereby it received a loan of \$25,000 from a third party, who was appointed as a director of the Company subsequent to the issuance of the promissory note. The loan bears interest at 30% per annum, is secured by shares of the Company which are currently owned by CVR Global, and had a term of 6 months. The loan may be repaid at any time without penalty, except that the full interest shall be due and payable for the entire 6-month term. As at June 30, 2022, the Company has accrued interest on the promissory note of \$29,507 (December 31, 2021 – \$25,788).
- b) During the year ended December 31, 2019, the Company received total proceeds of \$2,300 from the issuance of a promissory note to a third party. The loan bears interest at 15% per annum, is unsecured, and had a term of 24 months. As at June 30, 2022, the Company has accrued interest on the promissory note of \$1,005 (December 31, 2021 – \$834).
- c) As at June 30, 2022, the Company received total proceeds of \$87,319 from the issuance of promissory notes to former CEO and CFO. The loans bear interest at 15% per annum, are unsecured, and had a term of 24 months. As at June 30, 2022, the Company has accrued interest on the promissory note of \$32,990 (December 31, 2021 – \$26,495).

11. Share Capital

Authorized share capital consists of unlimited number of common shares without par value.

At June 30, 2022, the Company held 25,000,000 (December 31, 2021 – 25,000,000) common shares in escrow pursuant to the Restructuring Agreement with CVR Global, which will be released upon the achievement of certain milestones (Note 8(a)).

On May 6, 2022, the Company closed a private placement of 2,005,334 units at CDN\$0.03 per unit for gross proceeds of \$45,000 (CDN\$60,160). Each unit consists of one share of common stock of the Company and one transferable common stock purchase warrant exercisable to acquire an additional common share of the Company. Each full warrant is exercisable at a price of CDN\$0.05 per share until May 6, 2027.

12. Stock Options and Warrants

Stock options

The Company's Board of Directors approved a stock incentive plan in accordance with the policies of the Exchange. The Board of Directors is authorized to grant options to directors, officers, consultants or employees to acquire up to 10% of the issued and outstanding common shares of the Company. The exercise price will not be less than the market price of the common shares less applicable discounts permitted by the Exchange. The options that may be granted under this plan must be exercisable for over a period of not exceeding 10 years.

On September 30, 2020, the Company granted an aggregate of 1,500,000 stock options to directors and officers of the Company, of which a total of 400,000 stock options vest immediately and the remaining 1,100,000 stock options vest on the first anniversary of the grant date. The stock options are exercisable at CDN\$0.05 per share for a period of 5 years. The fair value of this grant was determined to be \$0.02 per option by the Black Scholes Option Pricing Model using the following assumptions: expected life – 5 years, average risk-free interest rate – 0.36%, expected dividend yield – 0%, and average expected stock price volatility – 217%. During the six months ended June 30, 2022, \$nil (2021 - \$7,291) was recognized in share-based compensation and recorded in equity reserves.

The following table summarizes information about the options at June 30, 2022 and December 31, 2021, and the changes for the periods then ended:

	June 30 2022		December 31, 2021	
	Number of Options	Weighted Average Exercise Price CDN\$	Number of Options	Weighted Average Exercise Price CDN\$
Options outstanding – Beginning of period	2,050,000	0.10	4,400,000	0.16
Forfeited	–	–	(2,350,000)	0.21
Options outstanding – End of period	2,050,000	0.10	2,050,000	0.10
Options exercisable – End of period	2,050,000	0.10	2,050,000	0.10

The following table summarizes information about stock options outstanding and exercisable at June 30, 2022:

Exercise Price CDN\$	Options Outstanding	Options Exercisable	Remaining Contracted Life (years)
0.05	1,500,000	1,500,000	3.25
0.25	550,000	550,000	1.65

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(Expressed in U.S. dollars)
(Unaudited)

12. Stock Options and Warrants (continued)

Share purchase warrants

The following table summarizes information about the warrants at June 30, 2022 and December 31, 2021, and the changes for the periods then ended:

	June 30, 2022		December 31, 2021	
	Number of Warrants	Weighted Average Exercise Price CDN\$	Number of Warrants	Weighted Average Exercise Price CDN\$
Warrants outstanding – Beginning of period	27,197,985	0.32	23,347,985	0.36
Issued	2,005,334	0.05	3,850,000	0.12
Warrants outstanding – End of period	29,203,319	0.29	27,197,985	0.32

The Company's warrants are exercisable only for common shares. The following table summarizes information about warrants outstanding and exercisable at June 30, 2022:

Exercise Price CDN\$	Expiry Date	Warrants Outstanding	Remaining Contracted Life (years)
0.36	September 5, 2023	1,942,000	1.18
0.36	September 22, 2023	1,935,427	1.23
0.36	October 26, 2023	1,311,333	1.32
0.36	November 9, 2023	2,708,641	1.36
0.36	November 30, 2023	710,200	1.42
0.36	December 20, 2023	2,430,000	1.47
0.25	January 17, 2024	359,800	1.55
0.36	January 17, 2024	4,820,000	1.55
0.36	February 12, 2024	540,000	1.62
0.25	February 21, 2024	125,264	1.65
0.36	February 21, 2024	2,123,188	1.65
0.36	April 2, 2024	3,017,132	1.76
0.36	May 6, 2024	1,325,000	1.85
0.12	December 23, 2026	3,850,000	4.48
0.05	May 6, 2027	2,005,334	4.85

Equity reserves

The equity reserves records items recognized as share-based compensation expense, fair value of warrants issued for services and equity-based contingent consideration until such time that the options and warrants are exercised, or the contingent consideration is paid, at which time the corresponding amount will be transferred to share capital.

13. Segmented Information

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company's main operations are within the medical sector relating to research and development of the Device.