MyndTec Inc.

Consolidated Financial Statements
December 31, 2021

Independent Auditor's Report

To the Shareholders of MyndTec Inc.:

Opinion

We have audited the consolidated financial statements of MyndTec Inc. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and December 31, 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' 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, 2021 and December 31, 2020, 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 audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the 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.

Other Information

Management is responsible for the other information. The other information comprises 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 audits 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 audits or otherwise appears to be materially misstated. We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Blair Michael Mabee.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

May 2, 2022 — Licensed Public Accountants

MyndTec Inc.
Consolidated Statements of Financial Position
As at December 31, 2021 and December 31, 2020

	December 31 2021	December 31 2020
Assets		
Current assets		
Cash	**$ 377,065**	$ 668,580
Cash held in escrow (note 25)	**2,359,442**	-
Trade and other receivables (note 4 and 13)	**305,638**	168,539
Inventories (note 5)	**300,732**	323,566
Prepaid expenses and deposits (note 25)	**139,139**	180,260
	3,482,016	1,340,945
Non-current assets		
Right-of-use asset (note 6)	**60,326**	28,300
Equipment (note 7)	**281,795**	285,346
Total assets	**$ 3,824,137**	$ 1,654,591
Liabilities		
Current liabilities		
Trade and other payables (note 13)	**$ 1,553,630**	$ 643,912
Subscription receipts (note 25)	**2,359,442**	-
Deferred revenue (note 8 and 13)	**-**	220,520
Current portion of long-term liabilities (note 9)	**1,840,171**	188,054
	5,753,243	1,052,486
Long-term liabilities, net of current portion		
Deferred payment agreement (note 10)	**311,500**	-
Deferred revenue (note 8)	**85,000**	-
Lease obligations (note 6)	**25,841**	-
Government loans (note 11)	**594,939**	649,008
Convertible debentures (note 12)	**-**	1,060,382
Derivative and warrant liabilities (note 12)	**-**	343,697
Deposits for future share financings (note 13, 14 and 25)	**594,860**	375,000
Total liabilities	**7,365,383**	3,480,573
Shareholders' deficiency		
Share capital (note 14)	**11,013,889**	10,085,283
Contributed surplus	**1,268,088**	862,873
Deficit	**(15,823,223)**	(12,774,138)
Total deficiency	**(3,541,246)**	(1,825,982)
Total liabilities and shareholders' deficiency	**$ 3,824,137**	$ 1,654,591

Commitments and contingencies (note 21)

Subsequent events (note 25)

"Craig Leon" Director

"Carlo Pannella" Director

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

MyndTec Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2021 and 2020

	Year Ended	
	December 31 2021	**December 31 2020**
Revenue (note 13 and 24)	**$ 605,567**	$ 162,634
Cost of sales	**250,946**	95,590
Gross Margin	**354,621**	67,044
Expenses		
General and administration (note 15)	**1,113,932**	1,104,795
Research and development (note 15)	**726,296**	556,624
Quality and regulatory assurance	**73,267**	49,266
Selling and marketing	**90,318**	291,823
Share-based compensation (note 14)	**133,421**	95,044
Interest and accretion expense (note 17)	**318,970**	228,292
Depreciation and amortization (note 6 and 7)	**106,025**	120,225
Clinical trial (note 19)	**2,077**	(15,966)
Changes in fair value (note 17)	**14,405**	(433,986)
Public listing costs (note 25)	**1,055,940**	-
Government grants and tax credits (note 18)	**(230,945)**	(434,575)
Total operating expenses	**3,403,706**	1,561,542
Comprehensive Loss	**$ (3,049,085)**	$(1,494,498)
Loss per share - basic and diluted	**$ (0.18)**	$ (0.10)
Weighted average number of common shares outstanding - basic and diluted	**16,631,596**	15,720,140

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

MyndTec Inc.
Consolidated Statements of Changes in Shareholders' Deficiency
For the years ended December 31, 2021 and 2020

	Share Capital	Contributed Surplus	Deficit	Total
Balance, December 31, 2019	**$ 9,961,882**	**$ 791,230**	**$ (11,279,640)**	**$ (526,528)**
Exercise of warrants (note 14)	123,401	(23,401)	-	100,000
Net loss and comprehensive loss	-	-	(1,494,498)	(1,494,498)
Share-based compensation (note 14)	-	95,044	-	95,044
Balance, December 31, 2020	**$ 10,085,283**	**$ 862,873**	**$ (12,774,138)**	**$ (1,825,982)**
Net loss and comprehensive loss	-	-	(3,049,085)	(3,049,085)
Common share financing (note 14)	928,606	271,794	-	1,200,400
Share-based compensation (note 14)	-	133,421	-	133,421
Balance, December 31, 2021	**$ 11,013,889**	**$ 1,268,088**	**$ (15,823,223)**	**$ (3,541,246)**

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

MyndTec Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020

	December 31 2021	December 31 2020
Cash flows used by operating activities		
Net loss and comprehensive loss	**$ (3,049,085)**	$(1,494,498)
Items not affecting cash:		
Share-based compensation	**133,421**	95,044
Depreciation and amortization (note 6 and 7)	**106,025**	120,225
Interest accretion (note 17)	**319,546**	228,058
Changes in fair value (note 17)	**14,405**	(433,986)
Deferred revenue (note 8)	**85,000**	-
Government grant on Federal CEBA loan (note 11)	**-**	(16,265)
	(2,390,688)	(1,501,422)
Changes in non-cash working capital items		
Trade and other receivables	**(137,099)**	159,869
Inventories	**22,834**	(22,100)
Prepaid expenses and deposits	**41,121**	(142,455)
Trade and other payables (note 10)	**1,248,718**	(109,549)
Deferred revenue	**(220,520)**	220,520
Cash flows used by operating activities	**(1,435,634)**	(1,395,137)
Cash flows used in investing activities		
Purchase of equipment (note 7)	**(64,444)**	(19,403)
	(64,444)	(19,403)
Cash flows provided by financing activities		
Lease payments (note 6)	**(56,092)**	(57,987)
Receipt of government loan (note 11)	**-**	40,000
Repayment of government loan (note 11)	**(155,605)**	(40,000)
Issuance of convertible debentures (note 12)	**-**	1,250,000
Deposits for future share financings, current period (note 25 and 14)	**594,860**	375,000
Issuance of share capital, net of prior year receipts (note 14)	**825,400**	100,000
	1,208,563	1,667,013
(Decrease) increase in cash	**(291,515)**	252,473
Cash, beginning of year	**668,580**	416,107
Cash, end of year	**$ 377,065**	$ 668,580

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

1 Nature of business

MyndTec Inc. (the “Company” or “MyndTec”) is a medical technology company that researches, develops and distributes innovative therapies designed to improve function, maximize independence and enhance the quality of life for individuals with paralysis due to stroke or spinal cord injury. The Company was incorporated under the Business Corporations Act of Ontario and its head office is located at 1900 Minnesota Court, Suite 122, Mississauga, Ontario, L5N 3C9.

COVID-19 pandemic

The global outbreak of the COVID-19 pandemic continues to be a threat to the global economy. The extent to which the COVID-19 pandemic may continue to impact the Company’s business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the duration of theoutbreak, travel restrictions and social distancing in Canada, the United States and other countries; business closures or business disruptions; and the effectiveness of actions taken by governments around the globe to contain and treat the disease. The measures taken to date have caused material disruptions to businesses globally, resulting in an economic slowdown.

From an operational perspective, the Company’s employees and distribution partners, as well as the workforce of vendors, services providers and counterparties with which the Company does business, may also be adversely affected by the COVID-19 pandemic or efforts to mitigate the pandemic, including government-mandated shutdowns, requests or orders for employees to work remotely and other physical distancing measures, which could result in an adverse impact on the Company’s ability to conduct its businesses, including its ability to cultivate adoption of the Company’s technology.

To date, the economic downturn and uncertainty caused by the COVID-19 pandemic and global measures undertaken to contain its spread have affected all of the Company’s operations to some extent and, in particular, have caused volatility in demand for the Company’s technology. This has resulted in a reduction in anticipated revenue and led to delays in the Company’s expectations regarding the rate at which agreements for new user sites will be entered into. Despite the COVID-19 pandemic, treatment sessions are continuing and the Company continues to identify potential new user sites. The Company continues to evaluate the current and potential impact of the COVID-19 pandemic on its business, affairs, operations, financial condition, liquidity and results of operations.

The Company received various government grants during the year ended December 31, 2020 related to the COVID-19 pandemic (note 18).

2 Basis of presentation

Statement of compliance

These consolidated financial statements have been prepared by Management in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and interpretations of the IFRS Interpretations Committee (“IFRIC”). The accounting policies set out in Note 3 have been applied in preparing the consolidated financial statements for the years ended December 31, 2021 and 2020.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on May 2, 2022.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, MyndTec US Inc. which was incorporated by the Company in the United States on October 10, 2018. As at December 31, 2021, the US subsidiary is inactive.

The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies, and the subsidiary is fully consolidated from its date of formation. All intercompany balances, transactions and unrealized gains and losses resulting from intercompany transactions are eliminated on consolidation.

2 Basis of presentation (continued)

Functional currency and presentation currency

These consolidated financial statements are presented in Canadian dollars (“CAD dollars”). The Company’s functional currency is CAD dollars and the functional currency of the Company’s wholly owned subsidiary is the United States dollar.

Use of estimates and judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Estimates are based on management’s best knowledge of current events and actions the Company may undertake in the future. 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 revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company’s accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- ***Going concern***
  Judgement is required in determining if disclosure of a material uncertainty related to events or conditions which cast significant doubt on the Company’s ability to continue as a going concern is required. In management’s judgement, such disclosure is not required. This judgement is based on management’s expectation of revenue and future net cash flows for the 15-month period to March 31, 2023. The Company’s mitigating actions include the secondary private financing transaction (note 25) for gross proceeds held in escrow of $2,359,441 and reduction in operating and discretionary expenses.

  During the year ended December 31, 2021, the Company had a net loss of $3,049,085, which includes $1,055,940 of public listing costs, negative cash flows from operating activities of $1,435,624 and negative working capital of $2,271,227, as at December 31, 2021. To the extent that the Company has negative operating cash flows in future periods, the Company will deploy funds raised through the above noted secondary private financing transaction to fund such negative cash flow. Based on management’s expectations of revenue, future net cash flows for the 15-month period to March 31, 2023 and the secondary private financing transaction, management has applied judgement in determining that there are no material uncertainties related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern.

  The estimates used by management in reaching this conclusion are based on information available as of the date of these audited consolidated financial statements were authorized for issuance and included an internally generated cash flow forecast. Accordingly, actual results could differ from those estimates and resulting variances may be material to management’s assessment.

2 Basis of presentation (continued)

Use of estimates and judgements (continued)

- ***Leases***
  Values of right-of-use assets and lease liabilities require judgment in determining lease terms such as extension options and the incremental borrowing rate applied. The Company estimates the incremental borrowing rate based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated. Renewal options are only included if management is reasonably certain that the option will be renewed.

- ***Stock options and warrants***
  The Company uses the Black-Scholes valuation model to determine the fair value of stock option awards granted and warrants granted in conjunction with the share capital subscriptions. The fair value of the warrants granted in conjunction with the issuance of convertible debentures were determined using the Black Scholes model. Estimates are required for inputs to this model including the fair value of the underlying shares, the expected life of the option, volatility, expected dividend yield, forfeiture rates and the risk-free interest rate. Variation in actual results for any of these inputs will result in a different value of the share option realized from the original estimate. The assumptions and estimates used are further outlined in the share capital note.

- ***Convertible debentures and embedded derivative***
  Convertible debentures are compound financial instruments which are accounted for separately by their components: liabilities, equity and warrants. The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment by management. The separation of components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest or liability component. The determination of the fair value of the liability is also based on a number of assumptions including contractual future cash flows, discount rates, and presence of liabilities. Changes in the input assumptions can materially affect the fair value estimates and the Company's classification between debt and equity components.

- ***Fair value of financial instruments***
  The individual fair values attributable to the different components of a financing transaction, notably loans and borrowings and convertible debentures are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine the values attributable to each component of a transaction at the time of their issuance. When determining the discount rate used to estimate the fair value of government loans, the Company considers market conditions and other internal and external factors as well as third-party financing agreements entered into by the Company. In determining the fair value of the Health Technology Exchange loan, the Company uses judgment to estimate the future loan repayments based on projected future revenue. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

- ***Income taxes***
  Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

3 Summary of significant accounting policies

Revenue recognition

The Company recognizes revenue on the transfer of promised services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services by applying the following steps:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations; and,
- recognize revenue when, or as, the Company satisfies a performance obligation.

Revenue represents the amount the Company expects to receive for products and services in its contracts with customers, net of discounts and sales taxes. The Company derives treatment revenue based upon the use of the Company's MyndMove devices by treatment clinics; as well as the sale of its products and supplies to research institutions and treatment clinics. Treatment revenue is recognized on a monthly basis as services are provided. The sale of its products and supplies is recognized when delivered to the customer and all performance obligations have been satisfied. The sale of extended warranties is deferred and recognized over the warranty period.

The Company recognizes revenue upon transfer of control of products or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for the products or services transferred. The Company evaluates contracts with customers to determine the appropriate performance obligations for revenue recognition purposes based on whether the product or service is distinct from some or all of the other products or services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct products and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation.

The Company determines the transaction price at the outset of each arrangement and the total consideration is allocated to the distinct performance obligations based on their relative fair value. The Company has determined that the recurring services promised in a contract with a customer represent a series of distinct services that are substantially the same and have the same pattern of transfer over time to the customer and each delivery of service is accounted for as a single distinct performance obligation.

The timing of revenue recognition and the contractual payment schedules often differ, resulting in some contractual payments being billed prior to the commencement of service. These amounts that are billed, but not earned, are recognized as deferred revenue in the consolidated statements of financial position. When products or services have been transferred to customers and revenue has been recognized, but not billed, the Company recognizes and includes these amounts as unbilled trade receivables in the consolidated statements of financial position.

The Company has elected to apply the practical expedient to not adjust the total consideration over the contract term for the effect of a financing component if the period between the transfer of services to the customer and the customer's payment for these services is expected to be one year or less.

Deferred revenue

Deferred revenue relates to revenues which have been paid for by customers prior to the performance of those services and extended warranties. This balance is recognized as the services are performed and over the respective warranty period. The Company classifies deferred revenue relating to services to be provided in the next twelve months as current and deferred revenue relating to services to be provided beyond twelve months as non-current.

Cash

Cash includes cash and short-term deposits with major financial institutions that are highly liquid with a maturity date of less than three months.

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the first-in,first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3 Summary of significant accounting policies (continued)

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use ("ROU") asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The ROU assets are depreciated to the earlier of the end of useful life of the ROU asset or the lease term using the straight-line method as this most closely reflects the expected pattern of the consumption of the future economic benefits.

The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the ROU asset can be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation. The lease obligation is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease obligation is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from the change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease obligation is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, unless it has been reduced to zero.

The Company has elected to apply the practical expedient to not recognize ROU assets and lease obligations for short-term leases that have a lease term of twelve months or less and for leases of low value assets. The lease payments associated with those leases are recognized as an expense on a straight-line basis over the lease term.

Equipment

Equipment are recorded at cost less accumulated depreciation and impairment losses. The cost of an item of property and equipment includes expenditures that are directly attributable to the acquisition thereof. Depreciation is calculated on a straight-line basis with an expectation of the following useful life estimates:

Computer equipment	4 years
Computer software	5 years
Other equipment	7 years
Treatment devices	10 years
Tooling	7 years

The Company assesses an asset's residual value, useful life and depreciation method on an annual basis and if any events indicate a change, then adjustments are made as required.

Intangible assets

Expenditures on internally generated intangible assets are recognized as an expense in the period in which they are incurred unless an internally generated intangible asset arising from development has demonstrated all of the following:

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

The amount initially recognized for development costs is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

The Company has not capitalized any development costs to date, because a commercial value for the technology has not yet been demonstrated.

3 Summary of significant accounting policies (continued)

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed for impairment at each consolidated statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The recoverable amount of an asset or a cash generating unit is the higher of its fair value, less cost to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) (a) as a result of a past event; (b) when it is more probable than not an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) when a reliable estimate can be made of the amount of the obligation.

Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net income (loss) of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted earnings (loss) per share is calculated by dividing the net income (loss) of the Company by the weighted average number of shares outstanding adjusted for all potentially dilutive equity instruments, as applicable. As at December 31, 2021 and 2020, all the Company's convertible instrument are anti-dilutive.

3 Summary of significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

- ***Financial assets***

  On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (''FVOCI''), or fair value through profit and loss (''FVTPL''). The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

  A financial asset is measured at amortized cost if it is not designated as at FVTPL; it is held within a business model whose objective is to hold assets to collect contractual cash flows; and, its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

  The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	Subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	Subsequently measured at amortized cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

  The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred.

- ***Financial liabilities***

  The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

  The Company classifies its financial liabilities as either financial liabilities at FVTPL or amortized cost.

  Subsequent to initial recognition, other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at FVTPL are stated at fair value with changes being recognized in profit or loss.

  The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

3 Summary of significant accounting policies (continued)

- ***Financial liabilities and equity instruments***

  - Classification as debt or equity
    Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.
  - Equity instruments
    An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue cost.

  Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

- ***Classification of financial instruments***

  The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics and management intent as outlined below:

  Classifications

o Cash	Amortized cost
o Trade and other receivables, excluding HST	Amortized cost
o Trade and other payables, excluding HST	Amortized cost
o Deferred payment agreement	Amortized cost
o Derivative and warrant liabilities	FVTPL
o Lease obligations	Amortized cost
o Convertible debentures	Amortized cost
o FEDA and CEBA Government loans	Amortized cost
o HTC Government loan	FVTPL

- ***Impairment of financial assets***

  An expected credit loss ("ECL") model applies to financial assets measured at amortized cost. The Company's financial assets measured at amortized cost and subject to the ECL model consist primarily of trade receivables. The Company applies the simplified approach to impairment for trade and other receivables by recognizing lifetime expected losses on initial recognition through both the analysis of historical defaults and a reassessment of counterparty credit risk in revenue contracts on an annual basis.

Government grants and loans

Grants from the government are recognized at their fair value where there is reasonable assurance that a grant will be received, and the Company will comply with all related conditions.

Loans received from government entities are recognized initially at fair value with the difference between the fair value of the loan and the amount received being recognized immediately in the consolidated statements of loss and comprehensive loss.

Research and development costs

Research costs are charged to expenses as incurred. Development costs are deferred and amortized when the criteria for deferral are met, otherwise they are expensed as incurred. No development costs have been deferred to date.

Investment tax credits (ITCs)

ITCs are recorded when the qualifying expenditures are made and the ITCs have been received.

3 Summary of significant accounting policies (continued)

Foreign currency translation

Transactions denominated in foreign currencies have been translated into Canadian dollars at the average rate of exchange prevailing at the time of the respective transactions. Monetary assets and liabilities have been translated into Canadian dollars at the year-end foreign currency exchange rate. Non-monetary assets and liabilities are translated at historical foreign currency exchange rates. All foreign exchange gains and losses are included in the consolidated statements of loss and comprehensive loss.

Share-based payments

Stock option expense is recognized over the vesting periods of the respective options, if any, which is the period over which all of the specified vesting conditions are satisfied, creating a corresponding increase in contributed surplus.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. Share-based payments to non-employees are measured at fair value of services provided, measured on the service date and recorded over the service period. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

New Standards not adopted

IAS 1, Presentation of Financial Statements, was amended in January 2020. The IASB clarified the classification of liabilities as current or non-current by removing the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must exist at the end of the reporting period. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company has not early adopted these amendments.

IAS 37, Provisions, Contingent Liabilities and Contingent Assets, was amended in May 2020 with the issuance of Onerous Contracts - Cost of Fulfilling a Contract by IASB. The IASB specified the costs of fulfilling a contract to include incremental costs incurred and allocation of other direct costs when determining whether a contract is onerous. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company has not early adopted these amendments.

These amendments are not expected to have a material impact on the Company’s consolidated financial statements.

4 Trade and other receivables

The following is the aging of trade and other receivables as at December 31, 2021 and 2020:

	December 31 2021	December 31 2020
Trade receivables		
0 - 30 days	$ 14,290	$ 163,873
60-90 days	261,309	3,762
Over 90 days	2,369	904
	$ 277,968	$ 168,539
Commodity Taxes	27,670	-
	$ 305,638	$ 168,539

5 Inventories

	December 31 2021	December 31 2020
Production parts and clinical supplies	$ 160,699	$ 120,517
Finished devices	140,033	203,049
	$ 300,732	$ 323,566

During the year ended December 31, 2021, inventory of $195,227 was recorded to cost of goods sold (2020 - $42,063). During the year ended December 31, 2021, the Company recognized $nil write down of inventory (2020 - $nil).

6 Right-of-use asset and lease obligations

Right-of-use asset

	Year Ended December 31 2021	Year Ended December 31 2020
Costs		
Balance - beginning of year	$ 121,743	$ 121,743
Office lease terminated on July 31, 2021	(121,743)	-
Office lease commenced on August 1, 2021	70,056	-
Balance - end of year	70,056	121,743
Accumulated depreciation		
Balance - beginning of year	93,443	44,586
Office lease terminated on July 31	(121,743)	-
Depreciation	38,030	48,857
Balance - end of year	9,730	93,443
Net book value - end of year	$ 60,326	$ 28,300

Lease obligations

	Year Ended December 31 2021	Year Ended December 31 2020
Balance - beginning of period	$ 32,450	$ 82,803
Office lease commenced on August 1, 2021	70,056	-
Interest expense (note 17)	5,877	7,634
Lease payments	(56,092)	(57,987)
Balance - end of period	52,291	32,450
Less current portion (note 9)	26,450	32,450
Long-term portion	$ 25,841	$ -

The Company's Right-of-use asset and lease obligations relate to the Company's office premise which was leased through July 2021 and, thereafter, a new three-year lease that commenced on August 1, 2021. The Company's fair value estimate of the new office lease addition and initial liability was $70,056, utilizing an incremental borrowing rate of 13.5%. Variable lease payments for the year ended December 31, 2021 were $29,322 (2020 – $52,060), recognized in general and administrative expenses in the consolidated statements of loss and comprehensive loss for the year.

7 Equipment

Net Book Value	Computers Software and Equipment	Tooling	Treatment Devices	Total
Balance, December 31, 2019	$ 37,030	$ 86,886	$ 209,745	$ 333,661
Acquisitions during the year	2,060	-	20,993	23,053
Amortization during the year	12,649	20,290	38,429	71,368
Balance, December 31, 2020	26,441	66,596	192,309	285,346
Acquisitions during period	1,754	2,439	60,251	64,444
Depreciation during period	14,222	12,283	41,490	67,995
Balance, December 31, 2021	$ 13,973	$ 56,752	$ 211,070	$ 281,795
Fully depreciated equipment				
Year ended in December 31, 2020	$ 46,133	$ -	$ -	$ 46,133
Year ended in December 31, 2021	$ 12,707	$ 114,549	$ 5,132	$ 132,388
As at December 31, 2020				
At Cost	$ 51,624	$ 199,308	$ 394,792	$ 645,724
Accumulated depreciation	25,183	132,712	202,483	360,378
Net book value	$ 26,441	$ 66,596	$ 192,309	$ 285,346
As at December 31, 2021				
At Cost	$ 40,671	$ 87,198	$ 449,911	$ 577,780
Accumulated depreciation	26,698	30,446	238,841	295,985
Net book value	$ 13,973	$ 56,752	$ 211,070	$ 281,795

8 Deferred revenue

Deferred revenue was $85,000 as at December 31, 2021 (December 31, 2020 - $220,520). The deferred revenue as at December 31, 2021 related to extended warranty on devices. The deferred revenue as at December 31, 2020 includes deposits for delivery of MyndMove devices that are related to a contract to re-engineer, manufacture and deliver modified devices to a research facility, the KITE Research Institute at the University Health Network, in Toronto, Canada, which is significantly influence by a director of the Company (note 13).

9 Current portion of long-term liabilities

	December 31 2021	December 31 2020
Payable in cash		
Deferred payment agreement (note 10)	$ 27,500	$ -
Lease obligations (note 6)	26,450	32,450
Federal Economic Development Agency (note 11)	60,000	110,000
Health Technology Exchange (note 11)	69,030	45,604
Federal CEBA (note 11)	27,400	-
	210,380	188,054
To be settled by equity conversions		
Derivative and warrant liabilities (note 12)	354,292	-
Convertible debentures (note 12)	1,275,499	-
	$ 1,840,171	$ 188,054

10 Deferred payment agreement

	Year Ended December 31 2021	2020
Balance - beginning of period	$ -	$ -
Deferral agreement established	339,000	-
Loan payments	-	-
Balance - end of period	339,000	-
Less current portion	27,500	-
Long term portion	$ 311,500	$ -

On December 31, 2021, the Company entered into an agreement with a supplier that is not a related party; which was made in settlement for amounts payable by the Company for services provided in 2021 and 2022 up to January 24, 2022. The agreement requires a commitment for payment as follows: i) $590,835 due on completion of a public offering expected to occur on or around January 24, 2022, ii) $42,500 to be paid $2,500 per month beginning February 1, 2022 through to June 1, 2023, and iii) $296,500 due and payable on June 30, 2023. In the event the Company closes a private placement or public offering, the Company is required to pay down the outstanding balance as follows: i) if the offering is less than $3 million, the payment will be 5% of the proceeds; ii) if the offering is $3 million or more, the payment will be for the outstanding balance. Interest will accrue on the balance beginning January 24, 2022 at an annual rate equal to the Royal Bank of Canada prime rate plus 5%, calculated and compounded monthly. Conditional upon the Company respecting the payment terms, the interest will be waived.

As at December 31, 2021, the $590,835 is recorded in trade and other payables.

As at December 31, 2021, the $339,000 deferred portion is recorded as a deferred payment agreement, in long term liabilities, net of the $27,500 current portion. The change in trade and other payables, in the consolidated statements of cash flows for the year ended December 31, 2021, has been reduced by the $339,000 amount transferred to the long-term liability.

11 Government loans

	December 31 2021	December 31 2020
Federal Economic Development Agency (FEDA)	$ 324,365	$ 433,188
Health Technology Exchange (HTE)	399,604	346,399
Federal CEBA	27,400	25,025
	751,369	804,612
Less current portion	156,430	155,604
Long term portion	$ 594,939	$ 649,008

Federal Economic Development Agency of Southern Ontario (FEDA) loan

The FEDA loan is unsecured, non-interest bearing and it provided initial financing of $919,518. On December 3, 2021, the payment terms for this loan were amended and, as at December 31, 2021, the principal balance outstanding of this loan is $467,242 (2020 – $577,242), due as follows:

	2021
FEDA Remaining Principal	
Twelve months following	$ 60,000
Thirteen to twenty-four months following	120,000
Twenty-three to thirty-six months following	240,000
Thereafter	47,242
	$ 467,242

The Company received the loan in tranches based on qualifying expenditures incurred. The Company initially determined the fair value of the loan based on the estimated future cash flows of the loan using a discount rate of 19.2%. During the year, the Company recognized $72,939 (2020 – $73,554) of interest and accretion expense (note 17) on this loan.

The payment terms of the loan were amended on February 19, 2020, June 1, 2020 and December 3, 2021; in all instances extending the terms of repayment. On the amendment dates, the loan was revalued using an effective interest rate of 20.1% as at February 19, 2020, 19.2% as at June 1, 2020 and 19.2% as at December 3, 2021. As a result, the Company recognized a gain on debt modification in the amount $71,762 for the year (2020 - $80,287) which is included in interest and accretion expense in the consolidated statements of loss and comprehensive loss (note 17).

During the year ended December 31, 2021, the Company made repayments of $110,000 (2020 - $40,000).

Health Technology Exchange (HTE) loan

The Health Technology Exchange loan is unsecured, bears interest at 3.1% per annum, is repayable based on 10% of certain preceding year gross revenue and provided initial financing of $749,600. As at December 31, 2021, the principal balance outstanding on this loan is $749,600 (2020 – $749,600), compared to the gross book value of the principal and interest payable as at December 31, 2021 of $794,370 (2020 - $816,737). The amount of the loan payable in the following year is $69,030 (2020 - $45,604). During the year ended December 31, 2021 the Company made a repayment of $45,605 (2020 – $nil) and the Company recognized $23,238 (2019 – $30,962) of accretion expense on this loan.

The Company values the HTE loan at fair value at the end of each quarter, based on the estimated future cash flows of the loan using a discount rate of 20.0% and revenue growth rates between 10% and 30%. Therefore, the fair value of this loan is determined to be $399,604 as at December 31, 2021 (2020 - $346,399), which resulted in the Company recording a fair value adjustment loss of $75,572 included in change in fair value on the consolidated statements of comprehensive loss (2020 – income of $26,428) (note 17).

11 Government loans (continued)

Federal Canadian Emergency Business Account (CEBA) loan

The Federal CEBA loan is part of the Canadian federal government's support program in response to the COVID-19 pandemic, wherein the Company was able to obtain a $40,000 non-interest bearing loan due on or before December 31, 2022. If the Company fully repays the loan by the due date, $10,000 of the loan will be forgiven.

On receipt of the loan in 2020, the Company determined the fair value of the loan based on the estimated future cash flows of the loan using a discount rate of 18.8%, which resulted in the Company recording income of $16,265 that was included in government grants and tax credits on the consolidated statements of loss and comprehensive loss during that year.
During the year ended December 31, 2021, the Company recognized $2,375 (2020 – $1,290) of accretion expense on this loan.

A reconciliation of the government loans is as follows:

	Year Ended December 31	
	2021	2020
Balance - beginning of period	$ 804,612	$ 821,786
Fair value of new Federal CEBA loan	-	23,735
Loan payments	(155,605)	(40,000)
Accretion expense (note 17)	98,552	105,806
Fair value adjustment of government loans (note 17)	3,810	(106,715)
Balance - end of period	751,369	804,612
Less current portion	156,430	155,604
Long term portion	$ 594,939	$ 649,008

12 Convertible debentures (note 25)

A summary of the movement in convertible debentures is as follows:

	Year Ended December 31	
	2021	2020
Balance - beginning of period	$ 1,060,382	$ -
Proceeds received	-	1,250,000
Embedded derivative	-	(304,236)
Accretion expense (note 17)	215,117	114,618
Balance - end of period	1,275,499	1,060,382
Less current portion	1,275,499	-
Long term portion	$ -	$ 1,060,382

12 Convertible debentures (continued)

On May 19, 2020, the Company issued unsecured convertible debentures with a maturity date of December 31, 2022 in an aggregate principal amount of $1,250,000. Interest accrues at a fixed annual interest rate of 8%, compounded annually and is payable on the maturity date. If converted, these convertible debentures and accrued interest will convert into common shares at the fair market value of the respective common shares at the date of conversion, as determined by the Board, unless the conversion is a result of a qualified financing. On the occurrence of a qualified financing, the convertible debentures and accrued interest will convert at a price per security equal to 80% of the price per security issued in the qualified financing. The convertible debenture is recorded at amortized cost using the effective interest rate of 18.4%. The fair value of the conversion option was determined to be $304,236 on issuance using a discount rate of 1%, probability of 95% and expecting timing of a qualified financing of June 2021. As at December 31, 2021, the fair value of the conversion option was determined to be $354,292 (2020 - $324,731) using a discount rate of nil%, probability of 100% and expected timing of qualified financing of February 2022.

The convertible debentures and accrued interest may be converted:

- any time before the maturity date, at the option of the holder;
- on the maturity date, at the option of the Company, provided notice thereof is given to the debentureholders at least ten days before the maturity date; and,
- automatically on the earlier of a liquidation event or a qualified financing, as defined in the convertible debenture agreements.

The embedded derivative and warrant liabilities (note 14) related to the convertible debentures are as follows:

	Conversion Option	Warrants	Total
Balance - December 31, 2019	$ -	$ 366,732	$ 366,732
Issuance of new debentures	304,236		304,236
Fair value (gain) or loss	20,495	(347,766)	(327,271)
Balance - December 31, 2020	324,731	18,966	343,697
Fair value (gain) or loss	29,561	(18,966)	10,595
Balance - December 31, 2021	$ 354,292	$ -	$ 354,292
Less current portion	354,292	-	354,292
Long term portion	$ -	$ -	$ -

13 Related party balances and transactions

During the years ended December 31, 2021 and 2020, the Company recognized treatment revenues from LBB Applied Technology Inc., a shareholder of the Company that was entitled to nominate one director to the Board.

The Company has a shareholder and director, who is employed by the KITE Research Institute at the University Health Network in Toronto, Canada (KITE), an Institution over which he has significant influence and to which the Company is committed to a long-term license agreement (note 21), requiring the semi-annual payment of royalty fees. In addition, the Company has entered into contracts with this Institution to sell MyndMove devices, which have been modified for research purposes; and to purchase research and development (R&D) services.

In 2017, the Board approved the remuneration of a director, related to interim CEO services provided to the Company in addition to his role as director. As at December 31, 2021 and 2020, the entire $75,000 amount remains unpaid and is included in trade and other payables.

$1,807,500 of the $2,954,302 in private placement funds raised in 2021, as described in the subsequent events note 25, was from directors, officers and a significant shareholder

13 Related party transactions (continued)

$1,000,000 of the $1,259,535 of private placement funds (note 14) recorded as share capital on May 3, 2021 was received from a director and a significant shareholder of which $250,000 was recorded as deposits for future share financings as at December 31, 2020.

$900,000 of the Company's convertible debenture (note 12) issued on May 19, 2020 were issued to a director and significant shareholder

The fore noted raises and convertible debentures were on the same terms as convertible debentures issued to unrelated parties.

A summary of the Company's related party transactions follows:

	December 31 2021	December 31 2020
Revenue during the year		
Treatment revenues	$ 92,358	$ 95,295
Sale of devices and parts	361,445	-
	$ 453,803	$ 95,295
Expenses during the year		
Share-based compensation for directors and senior officers	$ 131,639	$ 92,198
Salaries, fees and benefits for directors and senior officers	1,035,563	517,387
License fees	9,757	8,567
R&D services	262,986	23,115
	$ 1,439,945	$ 641,267
Assets - end of the year		
Accounts receivable for treatment revenues	$ 15,147	$ 7,638
Liabilities - end of the year		
Due to director for pre-2020 compensation	$ 75,000	$ 75,000
License fees payable	$ 9,757	$ 8,567
Deferred revenue	$ 85,000	$ 220,520

Change in Chief Executive Officer

On June 23, 2021, the Company appointed a new Chief Executive Officer (CEO), at the same salary amount and benefits as the former CEO. The former CEO and Director cooperated with the Company in executing a termination arrangement that confirmed a concurrent severance payment of $255,816, including benefits, and signed a transitional services agreement with the Company that resulted in a $102,500 additional expense over a six-month period. The new CEO was granted 600,000 options, with a Black-Scholes value of $284,371; and the former CEO forfeited 397,608 options, with a Black-Scholes value of $345,919 calculated on their issue date in the year ended December 31, 2017. The forfeiture of options to the former CFO resulted in a reversal of stock-based compensation of $21,040 for the year ended December 31, 2021.

14 Share capital, warrants and stock options

The Company is authorized to issue an unlimited number of common shares.

	Number of Shares	$
Balance, December 31, 2019	**15,636,398**	**9,961,882**
Exercise of warrants	94,339	123,401
Balance, December 31, 2020	**15,730,737**	**10,085,283**
Private placement	1,369,059	928,606
Balance, December 31, 2021	**17,099,796**	**11,013,889**

On May 3, 2021, the Company completed a private financing transaction, led by Company investors, wherein the Company raised $1,259,535 of share capital proceeds, entirely from existing shareholders. This financing resulted in the issuance of 1,369,059 common shares at a price of $0.92 and 1,259,535 common share warrants with an exercise price of $1.06 and expiration date of May 3, 2023.

- $285,183 of the proceeds less share issue costs were allocated to the value of the warrants, based on a Black Scholes valuation as described below.
- $375,000 of the proceeds were received by December 31, 2020 and are recorded in the Company's December 31, 2020 consolidated statement of financial position as deposits for future share financings.
- $59,134 of share issue costs were incurred in respect of these financings, of which $45,785 was recorded in the December 31, 2020 consolidated statement of financial position as part of prepaid expenses and deposits.

Warrants

The Company estimated the fair value of the common share warrants granted using the Black-Scholes option pricing model with the following assumptions:

	May 3, 2021	Revaluation at December 31, 2020
Warrants	1,259,535	2,240,491
Exercise Price	$1.06	$1.06
Share Price	$0.710	$0.737
Volatility	78.80%	78.82%
Expected life of warrants (years)	2.00	0.33
Risk-free interest rate	1.41%	1.77%
Dividend yield	nil	nil

	Number of Warrants	Weighted Avg. Exercise Price
Balance, December 31, 2019	**2,240,491**	**$0.92**
Exercise of warrants	(94,339)	0.92
Balance, December 31, 2020	**2,146,152**	**$0.92**
Expired	(2,146,152)	0.92
Private placement	1,259,535	1.06
Balance, December 31, 2021	**1,259,535**	**$1.06**

As at December 31, 2021 all warrants are exercisable and have a weighted average remaining contractual life of 1.34 years (December 31, 2020 - 0.33 years).

14 Share capital, warrants and stock options (continued)

Stock options

Under the Company's "evergreen" stock option plan, the Company may grant stock options for up to 10% of the outstanding common shares at the time of the granting of the stock options on a fully diluted basis to certain employees and directors. The exercise price of each stock option granted may not be less than the market price of the Company's stock at the time of the grant. These stock options vest over a period of up to four years and have expiry dates of either seven or ten years.

A summary of the stock option changes during the years presented and the total number of stock options outstanding as at those dates as set out below:

	Number of Options	Weighted Avg. Exercise Price
Balance, December 31, 2019	**1,090,858**	**$1.07**
Expired	(83,000)	0.95
Balance, December 31, 2020	**1,007,858**	**$1.08**
Expired	(620,358)	1.16
Issued	600,000	1.00
Balance, December 31, 2021	**987,500**	**$0.98**

The following table summarizes information about the stock options as at December 31, 2021:

	Outstanding Stock Options at December 31, 2021		
	Number	Weighted Avg. Contractual Life (years)	Number of Stock Options Exercisable
Exercise Price			
$1.21	50,500	1.47	50,500
$1.00	600,000	9.51	100,000
$0.92	337,000	4.38	248,600
	987,500	**7.35**	**399,100**

The Company estimated the fair value of the stock options granted in 2021 using the Black-Scholes option pricing model with the following weighted average assumptions:

	June 1, 2021	August 16, 2021
Options	500,000	100,000
Exercise Price	$1.00	$1.00
Share Price	$0.710	$0.710
Volatility	78.80%	78.82%
Expected life of warrants (years)	7	7
Risk-free interest rate	1.41%	1.77%
Dividend yield	nil	nil
Valuation	$236,976	$47,395

Due to the absence of Company specific volatility rates, the Company chose comparable companies in a similar industry. Compensation expense related to stock options recorded in the consolidated statement of loss and comprehensive loss, for the year, using the graded vesting method, was $133,421 (2020 – $95,044).

15 Breakdown of expenses by nature

	2021	2020
Salaries and benefits (note 16)	$ 650,679	$ 518,133
Accounting, legal and professional fees	291,356	352,971
Technology expense	63,650	73,059
Additional rent	29,322	52,060
Insurance	42,004	27,464
Travel	229	18,029
Bad debts (recovery)	6,321	(6,526)
Other expenses	30,371	69,605
Total general and administration expenses	$ 1,113,932	$ 1,104,795
Salaries and benefits (note 16)	$ 367,754	$ 399,920
Patent expenses	62,339	41,041
Other development expenses	296,203	115,663
Total research and development expenses	$ 726,296	$ 556,624

16 Salaries and benefits (note 13)

	2021	2020
General and administration (note15)	$ 650,679	$ 518,133
Research and development (note 15)	367,754	399,920
Selling and marketing	68,271	236,073
Clinical trial (note 19)	87,387	90,808
	$ 1,174,091	$ 1,244,934

17 Interest and accretion expense and changes in fair value

	2021	2020
FEDA loan (note 11)	$ 72,939	$ 73,554
CEBA loan (note 11)	2,375	1,290
HTE loan (note 11)	23,238	30,962
Total for government loans	98,552	105,806
Lease obligations (note 6)	5,877	7,634
Convertible debentures (note 12)	215,117	114,618
Total accretion expense	319,546	228,058
Short term interest	(576)	234
Total interest and accretion expense	$ 318,970	$ 228,292
Government loan - FEDA	(71,762)	(80,287)
Government loan - HTE	75,572	(26,428)
Total for government loans (note 11)	3,810	(106,715)
Convertible debenture conversion liabilities (note 12)	29,561	20,495
Warrant liabilities (note 12)	(18,966)	(347,766)
Total change in fair value	$ 14,405	$ (433,986)

18 Government grants and tax credits

	2021	2020
SR&ED Claims	$ 230,945	$ 256,382
TWS and CEWS subsidies	-	161,928
Gain on Federal CEBA Loan (note 11)	-	16,265
	$ 230,945	$ 434,575

Scientific research and experimental development tax credits
The Company periodically makes claims for SR&ED deductions and related expenses for income tax purposes, based on management's interpretation of the applicable legislation in the Income Tax Act (Canada). During the year ended December 31, 2021, the Company received and recognized $230,945 of SR&ED claims for the 2020 taxation year (2020 – $256,382 for the 2019 tax year). The Company has not recorded the benefit of any SR&ED claims related to the year ended December 31, 2021.

Federal COVID-19 pandemic subsidies
During 2020, the Company received amounts from the federal government's Canada Emergency Wage Subsidy (CEWS) and the Canada Emergency Business Account (CEBA) programs (note 11).

19 Clinical trial

The Company is party to an arrangement funded by the United States Department of Defense, for a total amount of US$2,014,378, wherein the Company is responsible to manage a clinical trial of its MyndMove device. The Company has no obligation as to the outcome of this trial and is eligible to recover all costs of the participating clinics and supervising clinic once the respective funds have first been received from the US Federal Government. This trial is expected to be completed by June 30, 2022.

The Company's direct costs related to this trial are contractually fully recoverable, although there are small discretionary amounts incurred by the Company that may not be, such that the Company expects to achieve a small net expense each month, which may vary between accounting periods, on this arrangement.

20 Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2020 – 26.5%) to the effective tax rate as follows:

	December 31, 2021	December 31, 2020
Net loss before income taxes	$ (3,049,085)	$ (1,494,498)
Expected income tax recovery	(808,010)	(396,040)
Non-deductible expenses and other adjustments	-	-
Share-based compensation	35,390	25,180
Share issuance costs booked directly to equity	(15,670)	-
Change in tax benefit not recognized	788,290	370,860
Income tax expense (recovery)	$ -	$ -

20 Income taxes (continued)

Deferred tax

The following table summarizes the components of deferred tax:

	December 31, 2021	December 31, 2020
Deferred tax assets		
Lease obligations	$ 13,860	$ 7,500
Convertible debentures	42,780	13,970
Non-capital losses carried forward	184,250	214,370
Total deferred tax assets	$ 240,890	$ 235,840
Deferred tax liability		
Right-of-use asset	$ (15,990)	$ (7,500)
Derivative and warrant liabilities	(218,120)	(220,930)
Government Loans	(3,340)	(3,970)
Input tax credits	(3,440)	(3,440)
Total deferred tax liabilities	(240,890)	(235,840)
Net deferred income taxes	$ -	$ -

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and carrying value of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	December 31, 2021	December 31, 2020
Equipment	$ 329,550	$ 269,200
Lease obligations	-	4,150
Government loans	342,520	242,540
Share issuance costs	920,600	44,010
Reserves	75,000	75,000
Canadian non-capital losses carried forward	12,712,030	11,014,590
Federal tax credits	38,020	38,020
Other tax deduction pools	745,080	508,250
Provincial tax credits	47,230	47,230
Balance at end of year	$ 15,210,030	$ 12,242,990

The Canadian non-capital income tax loss carry-forward expires as noted in the table below. Share issue costs will be fully amortized in 2025. Investment tax credits expire from 2026-2027. The remaining deductible differences may be carried forward indefinitely. There are no capital losses carried forward. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

20 Income taxes (continued)

The Company's Canadian non-capital income tax losses expire as follows:

2033	$ 1,088,410
2034	1,795,280
2035	1,278,160
2036	1,224,110
2037	1,175,840
2038	1,430,050
2039	1,715,120
2040	1,421,310
2041	1,583,750
Total	$ 12,712,030

21 Commitments and contingencies

On August 29, 2012, the Company entered into an agreement with a health services institution whereby it granted the Company an exclusive worldwide license to commercialize certain intellectual property related to a functional electrical stimulation device and system; for which the Institution received 400,000 of the Company's common shares, with a fair value of $400,000. In addition, the Company is committed to paying a cumulative royalty on the net sales of stimulators used to treat motor dysfunction, as follows:

- 0% on the first $1,000,000 cumulative net sales;
- 4% on the cumulative net sales exceeding $1,000,000 but not greater than $7,500,000; and,
- 1% on the cumulative net sales exceeding $7,500,000.

During the year ended December 31, 2021, the Company accrued license fees of $9,757 (2020 - $8,567).

The Company's lease commitments are disclosed in Note 6.

22 Capital Management

The Company's capital management objectives are to maintain financial flexibility in order to pursue its product development and commercialization strategy, and ultimately provide long-term returns to its shareholders. This strategy relies significantly on the Company's ability to demonstrate growing efficacy creation in its medical devices, in order to convince potential investors to invest more capital in the Company's development efforts.

The Company defines capital as the aggregate of its share capital and borrowings.

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay financial liabilities, issue shares, repurchase shares, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances. The Company is not subject to any externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the year ended December 31, 2021.

23 Financial instruments and risk management

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits with banks and outstanding receivables. The Company trades only with recognized, creditworthy third parties. The Company performs credit checks for all customers who wish to trade on credit terms.

The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Credit loss impairment is determined based upon review of specific accounts as the Company does not have significant historical uncollectable receivables. As at December 31, 2021, the Company had $2,369 in overdue trade and other receivables (2020 – $4,576).

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they come due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows, the issuance of share capital and if desired, the issuance of debt. The Company's trade and other payables are all due within twelve months from the date of these consolidated financial statements.

If unanticipated events occur that impact the Company's ability to meet its forecast and continue to fund customer acquisition cost, research and development, and administrative requirements, the Company may need to take additional measures to increase its liquidity and capital resources, including obtaining additional debt or equity financing or strategically altering the business forecast and plan. In this case, there is no guarantee that the Company will obtain satisfactory financing terms or adequate financing. Failure to obtain adequate financing on satisfactory terms could have a material adverse effect on the Company's results of operations or financial condition.

The Company is obligated to the following contractual maturities of undiscounted cash flows as at December 31, 2021:

	Payments Due			
	Less than 1 year	2 - 3 years	After 3 years	Total
Trade and other payables	$ 1,553,630	$ -	$ -	$ 1,553,630
Deferred payment agreement	27,500	311,500	-	339,000
Office lease - base rent and common area	26,450	25,841	-	52,291
Government loans - principal	159,030	509,500	645,449	1,313,979
Convertible debentures - principal	1,250,000	-	-	1,250,000
	$3,016,610	$ 846,841	$ 645,449	$ 4,508,900

Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk:

- **Foreign currency risk** arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company's primary exposure with respect to foreign currencies is from United States dollar denominated cash, trade and other receivables, and trade and other payables. As at December 31, 2021, a 1% change in the foreign exchange rates would result in a $568 impact to the consolidated financial statements (2020 - $632).
- **Interest rate risk** is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as at December 31, 2021 and 2020 because all of its indebtedness is at fixed rates.
- **Other price risk** is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risk as at December 31, 2021 and 2020.

23 Financial instruments and risk management (continued)

Fair values

The carrying values of cash, trade and other receivables excluding HST, trade and other payables excluding HST, and lease obligations are considered representative of their respective fair values due to the short-term period to maturity. The convertible debentures, deferred payment agreement and FEDA and CEBA Government loans approximate their fair value as the interest and discount rates are consistent with the current rates offered by the Company for its loans with similar terms. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- **Level 1** – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- **Level 2** – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- **Level 3** – Significant unobservable inputs that are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. During the year, there were no transfers of amounts between levels. The fair value of derivative and warrant liabilities and HTC government loan are determined using level 3 inputs.

Financial instruments measured at fair value using level 3 inputs:

	Valuation technique	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value**
Derivative liabilities	Probability weighted discounted cash flow (note 12)	- Discount rate - Expected timing and probability of qualified transaction	An increase in the probably or earlier expected date of Qualified Financing would increase the fair value of the derivative liability.
Warrant liabilities	Black Scholes (note 14)	- Share price - Volatility	An increase in share price or volatility would increase the fair value of the warrant liabilities.
HTC government loan	Discounted cash flows (note 11)	- Discount rate - Expected timing of repayments based on revenue forecast	An increase revenue growth or decrease in discount rate would increase the fair value of the HTC government loan.

24 Segmented information

The Company reports segment information based on internal reports used by the chief operating decision maker ("CODM") to make operating and resource decisions and to assess performance. The CODM is the Chief Executive Officer.

The Company has revenues from sales in Canada and from Canada to the United States and has one operating segment which includes income related to its MyndMove device and a variation of that device, called MyndSearch, which has been modified for research purposes. The two types of revenue that are earned from MyndMove include: (1) treatment fees, from treatment clinics that use the Company's MyndMove devices and (2) product sales, which are revenues from the sale of MyndMove or MyndSearch devices to clinics or research institutions and the sale of treatment supplies.

All treatment devices are located in Canada, except for six devices located in the United States, and all sales of devices have occurred in Canada. Revenue by geographical location and by services and products delivered were as follows:

	2021	2020
Revenue by geographic location of customers		
Canada	$ 469,202	$ 67,339
United States	136,365	95,295
	$ 605,567	$ 162,634
Revenue by services and products delivered		
Treatment fees	$ 199,358	$ 161,832
Product sales	405,945	-
Other	264	802
	$ 605,567	$ 162,634

25 Subsequent events

Private placement transaction and public company listing

On December 10, 2021, the Company completed a secondary private financing, for a total of $2,954,302 of which $590,860 was received by the Company and the balance remains in escrow. The subscribers received 2,954,302 subscription receipt units, with the expectation that these will be exchanged for 2,954,302 common shares of the Company and 2,954,302 warrants to acquire common shares of the Company at $1.00. The warrants will expire sixty months following the date that the subscription receipts are exchanged.

Of the $2,954,302 in proceeds, $594,860 had been received out of escrow by the Company and is recorded as deposits for future share financings in long-term liabilities. The remaining $2,359,442 was received by the Company, from the Escrow Trustee, on February 18, 2022. Offsetting those receipts, the Company incurred $101,704 of share issue costs that are recorded in prepaid expenses and deposits as at December 31, 2021.

The exchange of the subscription receipts units into common shares and warrants was conditional on the Company obtaining conditional listing approval on a stock exchange in Canada by February 28, 2022. The conditional listing was accomplished on February 16, 2022.

On February 17, 2022, the Company exchanged each share subscription receipt into one (1) common share and (1) warrant at $1.00 that will expire sixty months following the date of such approval.

Total listing costs were approximately $1,270,000 of which $1,095,940 was recorded in the Company's consolidated statement of loss and comprehensive loss, as at December 31, 2021.

Convertible debentures

Effective February 4, 2022, the Company's outstanding convertible debentures and accumulated interest, amounting to $1,427,523 (note 12) were converted into 1,784,402 subscription receipt units at $0.80 per subscription receipt unit.