

**THERMA BRIGHT INC.**

**Financial Statements**

**Year ended July 31, 2021**

**THERMA BRIGHT INC.**  
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**Year ended July 31, 2021**

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## INDEPENDENT AUDITOR'S REPORT

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To the Shareholders of Therma Bright Inc.

### *Opinion*

We have audited the financial statements of Therma Bright Inc., which comprise the statement of financial position as at July 31, 2021 and 2020, and the statements of loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *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 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 financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 2 in the financial statements, which indicates that the Company incurred a net loss of \$8,610,322 during the year ended July 31, 2021 (2020: \$626,682) and, as of that date, the Company had an accumulated deficit of \$26,128,803 (2020: \$17,518,481). These conditions, along with other matters as set forth in Note 2 indicate that a material uncertainty exists that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

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

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

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## INDEPENDENT AUDITOR'S REPORT, continued

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

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

In preparing the 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 Financial Statements*

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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.

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## INDEPENDENT AUDITOR'S REPORT, continued

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

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

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 Louis Sapi.

MISSISSAUGA, Ontario  
November 29, 2021

*HS & Partners LLP*  
Chartered Professional Accountants  
Licensed Public Accountants

**THERMA BRIGHT INC.**  
**Statement of Financial Position**  
**July 31**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 1,780,847	\$ 1,061,767
Inventory (Note 4)	51,200	17,200
Prepaid expenses	26,000	22,512
Sales taxes recoverable	95,463	-
	<b>1,953,510</b>	<b>1,101,479</b>
EQUIPMENT (Note 5)	83,176	2,013
INTANGIBLE ASSESTS (Note 6)	205,650	44,791
	<b>\$ 2,242,336</b>	<b>\$ 1,148,283</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 887,118	\$ 814,382
Sales taxes payable	-	13,998
Loan from director (Note 8)	-	55,938
	<b>887,118</b>	<b>884,318</b>
LONG-TERM DEBT (Note 9)	40,000	40,000
	<b>927,118</b>	<b>924,318</b>
Basis of presentation and going concern (Note 2)		
Contingencies and commitments (Note 13)		
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 10)	18,913,637	12,107,232
Warrants reserve (Note 10)	3,238,763	3,378,218
Share based payments reserve (Note 10)	5,020,076	1,985,451
Equity portion of convertible debentures	271,545	271,545
Deficit	(26,128,803)	(17,518,481)
	<b>1,315,218</b>	<b>223,965</b>
	<b>\$ 2,242,336</b>	<b>\$ 1,148,283</b>

**ON BEHALF OF THE BOARD**

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Signed "R Fia" *Director*

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Signed "Joseph Heng" *Director*

**THERMA BRIGHT INC.**  
**Statement of Loss and Comprehensive Loss**  
**Year ended July 31**

	<b>2021</b>	<b>2020</b>
<b>REVENUE</b>	<b>\$ 3,883</b>	<b>\$ 3,783</b>
<b>EXPENSES</b>		
General and administrative	2,594,280	597,830
Research and development	1,371,386	13,080
Stock-based compensation (Note 10)	4,574,000	-
	<b>8,539,666</b>	<b>610,910</b>
<b>LOSS FROM OPERATIONS</b>	<b>(8,535,783)</b>	<b>(607,127)</b>
<b>OTHER INCOME (EXPENSES)</b>		
Amortization	(57,978)	(2,978)
(Loss) gain on foreign exchange	(13,561)	820
Loss on debt conversion (Note 10)	(3,000)	-
Debenture accretion (Note 9)	-	(17,397)
	<b>(74,539)</b>	<b>(19,555)</b>
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>\$ (8,610,322)</b>	<b>\$ (626,682)</b>
<b>BASIC AND DILUTED LOSS PER SHARE</b>	<b>(0.04)</b>	<b>(0.01)</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES</b>	<b>199,964,619</b>	<b>163,796,606</b>

**THERMA BRIGHT INC.**  
**Statement of Changes in Shareholders' Equity**  
**Year ended July 31**

	Number of shares	Share capital	Shares to be issued	Warrants reserve	Share based payments reserve	Equity portion of convertible debentures	Deficit	Total equity
<b>Balance, July 31, 2019</b>	163,755,622	\$ 10,967,538	\$ -	3,361,218	\$ 1,985,451	\$ 291,192	\$ (16,891,799)	<b>(286,400)</b>
<b>Net and comprehensive loss</b>	-	-	-	-	-	-	(626,682)	<b>(626,682)</b>
<b>Changes</b>	1,000,000	92,319	1,047,375	17,000	-	(19,647)	-	<b>1,137,047</b>
<b>Balance, July 31, 2020</b>	164,755,622	11,059,857	1,047,375	3,378,218	1,985,451	271,545	(17,518,481)	<b>223,965</b>
<b>Net and comprehensive loss</b>	-	-	-	-	-	-	(8,610,322)	<b>(8,610,322)</b>
<b>Changes</b>	54,651,661	7,853,780	(1,047,375)	(139,455)	3,034,625	-	-	<b>9,701,575</b>
<b>Balance, July 31, 2021</b>	<b>219,407,283</b>	<b>\$ 18,913,637</b>	<b>\$ -</b>	<b>3,238,763</b>	<b>\$ 5,020,076</b>	<b>\$ 271,545</b>	<b>\$ (26,128,803)</b>	<b>1,315,218</b>

**THERMA BRIGHT INC.**  
**Statement of Cash Flows**  
**Year ended July 31**

	2021	2020
<b>OPERATING ACTIVITIES</b>		
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	\$ (8,610,322)	\$ (626,682)
Adjustments for		
Amortization	57,978	2,978
Stock-based compensation expense	4,574,000	-
Debenture accretion expense	-	17,397
<b>Total</b>	<b>(3,978,344)</b>	<b>(606,307)</b>
Change in non-cash working capital		
Inventory	(34,000)	(17,200)
Prepaid expenses	(3,488)	(19,575)
Sales taxes recoverable	(95,463)	-
Accounts payable and accrued liabilities	1,269,786	542,289
Sales taxes payable	(13,998)	(4,151)
<b>Cash flow used by operating activities</b>	<b>(2,855,507)</b>	<b>(104,944)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment	(100,000)	-
Purchase of intangible assets	(200,000)	-
<b>Cash flow used by investing activities</b>	<b>(300,000)</b>	<b>-</b>
<b>FINANCING ACTIVITIES</b>		
Loans from directors	(55,938)	48,939
Proceeds from shares to be issued	-	1,047,375
Long-term debt	-	40,000
Proceeds from shares issued	3,930,525	-
<b>Cash flow from financing activities</b>	<b>3,874,587</b>	<b>1,136,314</b>
<b>INCREASE IN CASH</b>	<b>719,080</b>	<b>1,031,370</b>
<b>CASH - BEGINNING OF YEAR</b>	<b>1,061,767</b>	<b>30,397</b>
<b>CASH - END OF YEAR</b>	<b>\$ 1,780,847</b>	<b>\$ 1,061,767</b>

**THERMA BRIGHT INC.**  
**Notes to the Financial Statements**  
**July 31, 2021**

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1. NATURE OF OPERATIONS

Therma Bright Inc.(the "Company") was incorporated under the Business Corporations Act (Alberta) on March 5, 2001. The Company is a progressive medical device technology company focused on a variety of products in the medical and healthcare space including rapid COVID testing products, medical devices for pain management, devices to improve circulation and devices for the cosmeceutical industry. The Company holds patents pending and the trademarks for Therozap™ and the trademark InterceptCS™ along with regulatory approvals for its breakthrough thermal therapy technology. The Company's cosmeceutical technology uses heat and light energy to deliver effective, topical, pain free skin care.

The common shares of the Company are traded under the symbol "THRM" on the TSX Venture Exchange.

These financial statements were authorized by the Board of Directors of the Company on November 29, 2021.

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2. BASIS OF PRESENTATION AND GOING CONCERN

a) Statement of compliance

Management has prepared these financial statements in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to a going concern, which contemplates that assets will be realized and liabilities discharged in the normal course of business as they come due.

b) Basis of measurement

These financial statements have been prepared on a historical cost basis except as otherwise disclosed within these notes to the financial statements.

c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the functional currency of the Company. All financial information presented in Canadian dollars has been rounded to the nearest dollar with the exception of net income (loss) per share values.

d) Going concern

During the year ended July 31, 2021, the Company incurred a loss of \$8,610,322 (2020 - loss of \$626,682) and as of July 31, 2021, the Company had an accumulated deficit of \$26,128,803 (2020 - \$17,518,481).

To this point, all operational activities and the overhead costs have been funded from the available cash and by equity and debt issuances, as well as loans from directors. The Company has been working, through third party service providers in marketing, sales, engineering and distribution, to sell its products online.

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility.

**THERMA BRIGHT INC.**  
**Notes to the Financial Statements**  
**July 31, 2021**

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2. BASIS OF PRESENTATION AND GOING CONCERN, continued

Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods. The Company is monitoring the business environment as a result to ensure minimal disruption to business operations. The Company continues to be in operations as of the current date and Therma Bright's goal is to provide a low-cost, scalable saliva-based test for routine and widespread testing of both symptomatic and asymptomatic individuals at home and in schools, workplaces, nursing homes, sporting events, airports and other venues where a rapid result is required.

The Company will continue to secure new cash resources to meet its obligations. Management is currently evaluating and pursuing funding alternatives, including new equity, debt issuances and business line. While management has so far been successful in raising the required equity and debt financing, there is no assurance that these initiatives will continue to be successful. Uncertainty in global capital markets could have a negative impact on the Company's ability to access capital in the future.

The Company's ability to continue as a going concern is dependent upon its ability to reach a profitable level of operations and obtain adequate financing.

The accompanying financial statements do not include any adjustments relating to the recoverability of assets and to the reclassification of asset and liability amounts that might be necessary should the company be unable to continue its operations.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The policies applied in these financial statements are based on IFRS's issued and outstanding as of November 29, 2021, the date the Board of Directors approved the statements.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise indicated.

(a) Revenue recognition

Revenue is recognized at the fair value of consideration received or receivable, net of provisions for returns and warranty costs which are estimated based on historical return and warranty experience. Revenue from the sale of goods is recognized when the Company has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Company will receive the previously agreed upon payment. Significant risks and rewards are generally considered to be transferred when the Company has delivered the product to customers.

**THERMA BRIGHT INC.**  
**Notes to the Financial Statements**  
**July 31, 2021**

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(b) Inventory

Inventories are measured at the lower of cost (determined on a first-in, first-out basis) and net realizable value, with cost being determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less the costs necessary to make the sale. When the reversal of previously written down inventories is recognized, this reversal is recognized in net income. The cost of purchased inventory comprise the purchase price and other costs directly attributable to the acquisition of inventory. Trade discounts and rebates are deducted in the costs of the purchase of finished goods. A write-down is recorded to cost of sales for any slow moving or obsolete inventory.

(c) Equipment

Equipment is measured at cost less accumulated amortization. Amortization methods, rates and residual values are reviewed annually and revised if the current method, estimated useful life or residual value is different from that estimated previously. Amortization is charged over their useful lives and is based on the declining balance method and rates:

Furniture and fixtures	20%
Moulds	40%

(d) Intangible assets

Intangible assets consisting of domain name, patents and trademarks are recorded at fair values. Intangible assets with finite useful lives are amortized over their estimated useful lives and are tested for impairment annually or more frequently if events or changes in circumstances indicate possible impairment.

Domain name	20 years Straight-line
Patents	20 years Straight-line

(e) Financial instruments

*Financial assets*

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either FVPL or FVOCI, and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows. All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Amounts receivable held for collection of contractual cash flows are measured at amortized cost.

**THERMA BRIGHT INC.**  
**Notes to the Financial Statements**  
**July 31, 2021**

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(e) Financial instruments, continued

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Subsequent measurement – financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statements of loss. The Company does not measure any financial assets at FVPL.

Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI. After initial measurement, financial assets measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of comprehensive loss. When the financial asset is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company’s only financial assets subject to impairment are other accounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

*Financial liabilities*

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL.

**THERMA BRIGHT INC.**  
**Notes to the Financial Statements**  
**July 31, 2021**

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(e) Financial instruments, continued

Initial recognition and measurement, continued

The Company's financial liabilities include accounts payable and accrued liabilities which are measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of loss.

(f) Impairment of long-lived assets

The company tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

(g) Convertible debentures

Convertible debentures are accounted for as financial instruments containing both a liability element and an equity element that are required to be accounted for separately under IAS 32, Financial Instruments: Presentation. The residual value method is used to determine the value of each element. Under this approach, the equity component is assigned the residual amount after deducting from the proceeds from the issuance of the instrument the fair value amount separately determined for the liability component. No gain or loss arises on initial recognition of the components of the instruments separately.

(h) Warrants

The Company follows the residual value method of accounting for warrants attached to and issued with common shares of the Company. Under this method, the fair value of warrants issued is estimated using a Black-Scholes option pricing model. The equity component is assigned the residual amount after deducting from the proceeds from the issuance of the instrument the fair value amount separately determined for the warrant component.

**THERMA BRIGHT INC.**  
**Notes to the Financial Statements**  
**July 31, 2021**

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(i) Stock-based compensation

The Company follows the fair value based method of accounting for all stock options granted to its directors, officers and employees, whereby a compensation expense is recognized over the vesting period of the options, with a corresponding increase to the share option reserve in equity. When stock options are exercised, capital stock is credited by the sum of the consideration paid together with the related portion previously recorded to the stock option reserve.

(j) Income taxes

The company follows the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized based on temporary differences between the tax and accounting bases of assets and liabilities, as well as losses available to be carried forward to future years for income tax purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Changes to these balances are recognized in income in the period in which they occur. Deferred tax assets are reduced by a valuation allowance to the extent that it is no longer probable that the related tax benefit will be realized.

(k) Earnings (loss) per share

Basic earnings (loss) per common share is determined by dividing net income (loss) attributed to common shareholders by the weighted average number of common shares outstanding during the year. The effects of potential issues of shares pursuant to outstanding share purchase option agreements are disclosed as appropriate. If the Company has outstanding dilutive stock options and warrants in any period, the diluted earnings (loss) per share will be calculated using the treasury stock method. Anti-dilutive effects will not be disclosed.

(l) Use of estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are convertible debentures, stock options granted, warrants issued, accruals and valuation allowances.

**THERMA BRIGHT INC.**  
**Notes to the Financial Statements**  
**July 31, 2021**

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(m) New accounting standards and interpretations

*New accounting standards adopted*

IFRS 3, Business Combinations ("IFRS 3")

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

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

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

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

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

*New accounting standards and interpretations not adopted yet*

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded.

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4. INVENTORY

Inventory consists solely of finished goods. Since 2009, the Company has taken a cumulative inventory write-down of \$8,020 (2020 - \$8,020).

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**THERMA BRIGHT INC.**  
**Notes to the Financial Statements**  
**July 31, 2021**

5. EQUIPMENT

	Cost	Accumulated amortization	<b>2021 Net book value</b>
Furniture and fixtures	\$ 3,081	\$ 1,471	\$ <b>1,610</b>
Moulds	100,000	18,434	<b>81,566</b>
	<b>\$ 103,081</b>	<b>\$ 19,905</b>	<b>\$ 83,176</b>

  

	Cost	Accumulated amortization	2020 Net book value
Furniture and fixtures	\$ 3,081	\$ 1,068	\$ 2,013

6. INTANGIBLE ASSESTS

	Cost	Accumulated amortization	<b>2021 Net book value</b>	2020 Net book value
Domain name	\$ 49,490	\$ 7,173	\$ <b>42,317</b>	\$ 44,791
Patents and trademarks	200,000	36,667	<b>163,333</b>	-
	<b>\$ 249,490</b>	<b>\$ 43,840</b>	<b>\$ 205,650</b>	\$ 44,791

7. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Related party transactions conducted in the normal course of operations are measured at the amount established and agreed to by the related parties.

(a) The Company entered into the following transactions with related parties:

	<b>2021</b>	<b>2020</b>
Intelvest Inc. ("Intelvest") (i)	<b>\$ 500,000</b>	\$ -
Marrelli Support Services Inc. ("Marrelli Support")(ii)	<b>40,400</b>	26,286
Tim Peterson(iii)	-	20,000
	<b>\$ 540,400</b>	<b>\$ 46,286</b>

**THERMA BRIGHT INC.**  
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7. RELATED PARTY TRANSACTIONS AND BALANCES, continued

i) For the year ended July 31, 2021, the Company expensed \$500,000 (year ended July 31, 2020 - \$nil) to Intelvest Inc., a company controlled by a director and officer of the Company, for the management services of Rob Fia to act as Chief Executive Officer of the Company. As at July 31, 2021, Intelvest Inc., was owed \$375,000 (2020 - \$nil) and this amount was included in accounts payable and accrued liabilities.

ii) For the year ended July 31, 2021, the Company expensed \$40,400 (2020 - \$26,286) to Marrelli Support for the services of Vic Hugo to act as Chief Financial Officer of the Company. In addition, Marrelli Support also provides bookkeeping services to the Company. Vic Hugo is an employee of Marrelli Support. As at July 31, 2021, Marrelli Support was owed \$10,123 (2020 - \$50,364) and this amount was included in accounts payable and accrued liabilities

iii) For the year ended July 31, 2021, the Company expensed \$nil (2020 - \$20,000) to Tim Peterson, a director of the Company, for consulting services. As at July 31, 2021, Tim Peterson was owed \$10,000 (2020 - \$30,000) and this amount was included in accounts payable and accrued liabilities.

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

	<b>2021</b>	<b>2020</b>
Management fees	\$ -	\$ 53,000
Directors fees	<b>80,000</b>	10,000
Share based payments	<b>1,967,258</b>	-
Salaries and related benefits	<b>80,000</b>	17,500
	<b>\$ 2,127,258</b>	<b>\$ 80,500</b>

Payments to directors and key management personnel of the Company include certain transactions with related parties in (a) above, and (b) remuneration to directors and key management personnel of the Company. As at July 31, 2021, directors and key management personnel of the Company were owed \$10,000 (2020 - \$184,251) for remuneration and reimbursable expenses, excluding amounts disclosed in (a) above.

(c) Insider shareholdings

None of the Company's major shareholders have different voting rights than other holders of the Company's common shares.

As of July 31, 2021, directors and officers of the Company, with individual control of less than 10% of the total common shares outstanding, collectively control 34,193,344 common shares of the company or approximately 7% of the total common shares outstanding. To the knowledge of the directors and officers of the Company, the remaining common shares of the Company were widely held.

**THERMA BRIGHT INC.**  
**Notes to the Financial Statements**  
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8. LOAN FROM DIRECTOR

The loan from director is unsecured, non-interest bearing and repayable on demand.

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9. LONG-TERM DEBT

	<u>2021</u>	<u>2020</u>
a) Canada Emergency Business Account (CEBA) loan	<u>\$ 40,000</u>	<u>\$ 40,000</u>

In April 2020, the Company received \$40,000 in Canada Emergency Business Account (CEBA) loan, funded by the Federal Government. The terms of the loan is: Interest rate is 0% per year, but subject to the interest rate disclosed below in the loan extension section; loan repayment in whole or in part on or after July 1, 2020; \$10,000 (25%) of the \$40,000 loan is eligible for complete forgiveness if \$30,000 is fully repaid on or before December 31, 2022.

Loan extension terms are: If the loan cannot be repaid by December 31, 2022, it will be converted into a 3 year term loan, charging an interest rate of 5%; Interest payments are due monthly and the outstanding principal balance must be fully repaid no later than December 31, 2025. However, the Company may repay some or all of the loan at any time.

b) 8% Convertible debentures

On April 27, 2018, the Company completed a first tranche closing of its convertible debenture ("Debenture") financing for gross proceeds of \$250,000. The Company offered three-year debentures in principal amounts of \$1,000 per Debenture, with 8% interest payable thereon. A minimum of 12 months' interest on the full principal amount would be payable, regardless of whether the Debenture was converted prior to such time. Subject to prior TSX Venture Exchange ("TSXV") approval, interest might be paid in shares at the market price of the Company's common shares at the time of conversion. A finder's fee of \$17,500 cash, and 150,000 finder's warrants were paid in relation to this issuance of convertible debenture and these financing fees were allocated pro-rata between the equity portion of the convertible debenture and against the debenture payable.

The Debentures would be convertible into Units of the Company at a conversion price of \$0.05 per unit if converted in the first year and thereafter at \$0.10 per unit. Each Unit would be comprised of one common share and one-fifth (1/5) of one common share purchase warrant. Each whole warrant would be exercisable for one common share for a period of two years from the date of issue of the warrant at an exercise price of \$0.05 if exercised on or before the date that was one year from the date of issuance of the Debenture or thereafter at an exercise price of \$0.10.

During the year ended July 31, 2020, debentures with a face value of \$100,000 and a carrying value of \$89,557 (net of transaction cost and conversion features) were converted into Units of the Company.

**THERMA BRIGHT INC.**  
**Notes to the Financial Statements**  
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9. LONG-TERM DEBT, continued

The following table summarizes 8% Convertible debentures:

	<b>2021</b>	<b>2020</b>
Beginning Balance	\$ -	\$ 79,974
Less: Conversion	-	(89,557)
Less: Coupon interest payable classified under accounts payable	-	(7,814)
Add: Accretion expense	-	17,397
	\$ -	\$ -
Balance as at July 31	\$ -	\$ -

10. SHARE CAPITAL

	<b>Issued</b>	<b>Amount</b>
Authorized:		
Unlimited number of common and preferred shares without par value		
Issues and outstanding common shares:		
Balance - end of year (2020 - 164,755,622 common shares for \$12,107,232)	<b>219,407,283</b>	<b>\$ 18,913,637</b>

(a) Common shares

i) On July 16, 2020, the 8% convertible debenture holder converted \$100,000 in to shares. The Company issued 1,000,000 Units at a conversion price of \$0.10 per unit (see note 9). Each Unit comprised of one common share and one fifth (1/5) of one common share purchase warrant. Each whole warrant would be exercisable for one common share for a period of two years at an exercise price of \$0.10. These warrants were assigned a value of \$17,000 using the Black Scholes valuation model with the following assumptions: expected dividend yield of 0%; share price of \$0.105; expected volatility of 189% based on historical trends; risk free interest rate of 0.27%; and an expected average life of 24 months

ii) On August 5, 2020, the Company completed the closing of a non-brokered private placement of 16,666,667 units for gross proceeds of \$1,250,000. Each Unit comprised of one common share of the Company and one half (0.5) of one common share purchase warrant, and each whole warrant will be exercisable for one additional common share of the Company at a price of \$0.15 for a period of 6 months from the closing date of the private placement. The warrants were assigned a value of \$948,000 using the Black Scholes valuation model with the following assumptions: expected dividend yield of 0%; share price of \$0.20; expected volatility of 189% based on historical trends; risk free interest rate of 0.18%; and an expected average life of 6 months.

No finder's fee was paid in conjunction with the Offering. Insiders of the Company purchased a total of 2,866,667 units under the private placement.

**THERMA BRIGHT INC.**  
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10. SHARE CAPITAL, continued

iii) On August 13, 2020, as part of the binding letter of intent with Orpheus to partner in the development of a rapid saliva test for the detection of the virus (SARS CoV 2) causing COVID 19, the Company issued to Orpheus of 1,000,000 common shares and 1,000,000 warrants exercisable at \$0.05 per share with a 5 year expiry. The shares were valued at 175,000 and the warrants were assigned a value of 172,000 using the Black Scholes valuation model with the following assumptions: expected dividend yield of 0%; share price of \$0.175; expected volatility of 189% based on historical trends; risk free interest rate of 0.43%; and an expected average life of 60 months.

iv) On August 14, 2020, the Company settled aggregate debt of \$370,000 outstanding as at June 30, 2020, in consideration for which it issued an aggregate of 4,625,000 common shares at a deemed price of \$0.08 per share.

v) On March 10, 2021, the Company settled aggregate debt of \$65,250 in consideration for which it issued an aggregate of 145,000 common shares at a deemed price of \$0.45 per share.

vi) On April 13, 2021 the Company settled aggregate debt of \$260,000 in consideration for which it issued an aggregate of 866,664 common shares at a deemed price of \$0.30 per share.

vii) On May 26, 2021 the Company settled aggregate debt of \$100,000 in consideration for which it issued an aggregate of 200,000 common shares units ("Unit") of the Company at a price of \$74,000. Each Unit comprised of one common share and one half (0.5) of share purchase warrant (a "Warrant"). Each whole warrant will entitle the holder to purchase one common share for three years at a price of \$0.60 per share for a period of 2 years. The Company recorded a loss on settlement of \$3,000 and was recorded in the statement of loss.

A value of \$29,000 was estimated for the 100,000 Warrants on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of \$0.37; expected volatility of 189% using the historical price history of the Company; risk-free interest rate of 0.31%; and an expected average life of 24 months.

(b) Stock options

Under the Company's stock option plan, the Company may grant options to employees, consultants, officers and directors totaling up to 10% of its issued and outstanding common shares. The aggregate number of shares so reserved for issuance to any one person shall not exceed 5% of the issued and outstanding common shares.

i) On August 20, 2020, the Company granted of stock options to its directors, officers and consultants to purchase up to an aggregate of 13,950,000 common shares of the Company. The options are exercisable for a period of five years at a price of \$0.22 per share and the options vested immediately. The estimated fair value of these options at the grant date was \$2,553,000 using the Black-Scholes valuation model. During the year ended July 31, 2021, \$2,533,333 (2020 - \$nil) was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: risk free rate: 0.37%; expected life: 5.0 years; expected volatility: 189% based on historical trends; forfeiture rate: nil; expected dividend yield: 0%; and weighted average share price: \$0.19.

ii) On August 26, 2020, the Company granted of stock options to a director to purchase up to an aggregate of 200,000 common shares of the Company. The options are exercisable for a period of five years at a price of \$0.22 per share. The options vest immediately. The estimated fair value of these options at the grant date was \$33,000 using the Black-Scholes valuation model.

**THERMA BRIGHT INC.**  
**Notes to the Financial Statements**  
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10. SHARE CAPITAL, continued

(b) Stock options, ii), continued

During the year ended July 31, 2021, \$33,000 (2020 - \$nil) was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: risk free rate: 0.41%; expected life: 5.0 years; expected volatility: 189% based on historical trends; forfeiture rate: nil; expected dividend yield: 0%; and weighted average share price: \$0.17.

iii) On December 7, 2020, the Company granted of stock options to its consultants to purchase up to an aggregate of 550,000 common shares of the Company. The options are exercisable for a period of five years at a price of \$0.22 per share. The options vest immediately. The estimated fair value of these options at the grant date was \$36,000 using the Black-Scholes valuation model. During the year ended July 31, 2021, \$36,000 (2020 - \$nil) was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: risk free rate: 0.48%; expected life: 5.0 years; expected volatility: 189% based on historical trends; forfeiture rate: nil; expected dividend yield: 0%; and weighted average share price: \$0.07.

iv) On December 24, 2020, the Company granted of stock options to a consultants to purchase up to an aggregate of 450,000 common shares of the Company. The options are exercisable for a period of five years at a price of \$0.22 per share. The options vest immediately. The estimated fair value of these options at the grant date was \$98,000 using the Black-Scholes valuation model. During the year ended July 31, 2021, \$98,000 (2020 - \$nil) was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: risk free rate: 0.43%; expected life: 5.0 years; expected volatility: 189% based on historical trends; forfeiture rate: nil; expected dividend yield: 0%; and weighted average share price: \$0.225.

v) On January 5, 2021, the Company granted of stock options to consultants to purchase up to an aggregate of 900,000 common shares of the Company. The options are exercisable for a period of five years at a price of \$0.28 per share. The options vest immediately. The estimated fair value of these options at the grant date was \$243,000 using the Black-Scholes valuation model. During the year ended July 31, 2021, \$243,000 (2020 - \$nil) was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: risk free rate: 0.39%; expected life: 5.0 years; expected volatility: 189% based on historical trends; forfeiture rate: nil; expected dividend yield: 0%; and weighted average share price: \$0.28.

vi) On January 15, 2021, the Company granted of stock options to an officer to purchase up to an aggregate of 200,000 common shares of the Company. The options are exercisable for a period of five years at a price of \$0.35 per share. The options vest immediately. The estimated fair value of these options at the grant date was \$95,000 using the Black-Scholes valuation model. During the year ended July 31, 2021, \$95,000 (2020 - \$nil) was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: risk free rate: 0.42%; expected life: 5.0 years; expected volatility: 189% based on historical trends; forfeiture rate: nil; expected dividend yield: 0%; and weighted average share price: \$0.49.

**THERMA BRIGHT INC.**  
**Notes to the Financial Statements**  
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10. SHARE CAPITAL, continued

(b) Stock options, continued

vii) On January 25, 2021, the Company granted of stock options to a consultant to purchase up to an aggregate of 300,000 common shares of the Company. The options are exercisable for a period of five years at a price of \$0.45 per share. The options vest immediately. The estimated fair value of these options at the grant date was \$120,000 using the Black-Scholes valuation model. During the year ended July 31, 2021, \$120,000 (2020 - \$nil) was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: risk free rate: 0.42%; expected life: 5.0 years; expected volatility: 189% based on historical trends; forfeiture rate: nil; expected dividend yield: 0%; and weighted average share price: \$0.415.

viii) On February 25, 2021, the Company granted of stock options to a consultant to purchase up to an aggregate of 750,000 common shares of the Company. The options are exercisable for a period of five years at a price of \$0.38 per share. The options vest immediately. The estimated fair value of these options at the grant date was \$290,000 using the Black-Scholes valuation model. During the year ended July 31, 2021, \$290,000 (year ended July 31, 2020 - \$nil) was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: risk free rate: 0.93%; expected life: 5.0 years; expected volatility: 189% based on historical trends; forfeiture rate: nil; expected dividend yield: 0%; and weighted average share price: \$0.40.

ix) On March 4, 2021, the Company granted of stock options to consultants to purchase up to an aggregate of 2,500,000 common shares of the Company. The options are exercisable for a period of five years at a price of \$0.30 per share. The options vest immediately. The estimated fair value of these options at the grant date was \$663,000 using the Black-Scholes valuation model. During the year ended July 31, 2021, \$663,000 (2020 - \$nil) was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: risk free rate: 0.90%; expected life: 5.0 years; expected volatility: 189% based on historical trends; forfeiture rate: nil; expected dividend yield: 0%; and weighted average share price: \$0.275.

x) On March 22, 2021, the Company granted of stock options to consultants to purchase up to an aggregate of 1,000,000 common shares of the Company. The options are exercisable for a period of three years at a price of \$0.44 per share. The options vest immediately. The estimated fair value of these options at the grant date was \$443,000 using the Black-Scholes valuation model. During the year ended July 31, 2021, \$443,000 (2020 - \$nil) was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: risk free rate: 0.52%; expected life: 3.0 years; expected volatility: 189% based on historical trends; forfeiture rate: nil; expected dividend yield: 0%; and weighted average share price: \$0.49.

**THERMA BRIGHT INC.**  
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10. SHARE CAPITAL, continued

The following table summarizes information about the Company's options activity as of July 31, 2021:

	July 31, 2021		July 31, 2020	
	Number of options	Weighted average exercise price (\$)	Number of options	Weighted average exercise price (\$)
Issues and outstanding, beginning of year	13,015,000	\$ 0.09	13,015,000	\$ 0.09
Issued during the year	20,800,000	0.25	-	-
Exercised	(14,965,000)	0.10	-	-
End of year	<b>18,850,000</b>	<b>\$ 0.24</b>	13,015,000	\$ 0.09

The following table reflects the actual stock options issued and outstanding as of July 31, 2021:

Expiry Date	Exercise price (\$)	Weighted average remaining life (years)	Number of outstanding options	Number of options vested (exercisable)
January 17, 2023	\$ 0.10	1.47	350,000	350,000
January 23, 2023	0.10	1.48	100,000	100,000
March 2, 2023	0.10	1.59	500,000	500,000
May 8, 2023	0.05	1.77	650,000	650,000
March 22, 2024	0.44	2.64	1,000,000	1,000,000
August 20, 2025	0.22	4.06	11,100,000	11,100,000
August 26, 2025	0.22	4.07	200,000	200,000
December 7, 2025	0.22	4.36	250,000	250,000
December 24, 2025	0.22	4.40	200,000	200,000
January 5, 2026	0.28	4.44	750,000	750,000
January 15, 2026	0.35	4.46	200,000	200,000
January 25, 2026	0.45	4.49	300,000	300,000
February 25, 2026	0.38	4.58	750,000	750,000
March 4, 2026	0.30	4.59	2,500,000	2,500,000
	<b>\$ 0.24</b>	<b>3.90</b>	<b>18,850,000</b>	<b>18,850,000</b>

**THERMA BRIGHT INC.**  
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10. SHARE CAPITAL, continued

(c) Warrants

The following table summarizes information about Company's warrants activity:

	<b>July 31, 2021</b>		July 31, 2020	
	<b>Number of warrants</b>	<b>Weighted average exercise price (\$)</b>	<b>Number of warrants</b>	Weighted average exercise price (\$)
Issues and outstanding, beginning of year	<b>7,380,000</b>	\$ 0.09	13,180,000	\$ 0.09
Issued during the year	<b>9,658,330</b>	0.15	200,000	0.10
Exercised/ expired	<b>(16,763,330)</b>	(0.12)	(6,000,000)	(0.08)
End of year	<b>275,000</b>	\$ 0.50	7,380,000	\$ 0.09

The following table summarizes the warrants outstanding and exercisable at July 31, 2021.

<b>Issue Date</b>	<b>Exercise price</b>	<b>Warrants exercisable at July 31, 2021</b>	<b>Expiry date</b>
May 26, 2021	\$ 0.60	100,000	May 26, 2023
May 26, 2021	0.45	175,000	May 26, 2023
		<b>275,000</b>	

Some of the warrants are subject to acceleration in the event the Company's common shares trade at or above certain share prices.

On May 26, 2021, the Company issued 175,000 share purchase warrants to a consultant for services provided. The warrants will be exercisable for two years and an exercise price of \$0.45. A value of \$51,800 was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of \$0.37; expected volatility of 189% using the historical price history of the Company; risk-free interest rate of 0.31%; and an expected average life of 24 months.

**THERMA BRIGHT INC.**  
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11. INCOME TAXES

(a) Deferred income taxes

Significant components of the Company's deferred tax assets and liabilities are as follows:

	2021	2020
Future income tax asset		
Operating losses available to offset future taxes	\$ 3,144,000	\$ 2,732,000
Tax basis of timing differences	51,000	60,000
	3,195,000	2,792,000
Valuation allowance	(3,195,000)	(2,792,000)
	\$ -	\$ -

The Company has determined that realization of a deferred tax asset is not probable and therefore a valuation allowance has been recorded against the deferred income tax asset.

(b) Current income taxes

The provision for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 22% (2020 - 27%) to the loss for the years as follows:

	2021	2020
Loss for the year before income taxes	\$ (8,610,300)	\$ (626,700)
Anticipated income tax recovery	\$ (1,894,000)	\$ (169,200)
First heading		
Benefit of income tax loss carry-forwards not previously recognized	933,000	163,800
Effect of items not deductible for tax purposes	1,030,300	29,000
Other	(69,300)	(23,600)
Provision for income taxes	\$ -	\$ -

(c) Income tax losses carried forward

As at July 31, 2021 the Company has non-capital losses of \$14,292,000 for tax purposes which can be applied against future taxable income. These losses expire in the years 2026 to 2041.

**THERMA BRIGHT INC.**  
**Notes to the Financial Statements**  
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12. LOSS PER SHARE

For the year ended July 31, 2021, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of \$8,610,322 (2020 - \$626,682) and the weighted average number of common shares outstanding of 199,964,619 (2020 - 163,796,606). Diluted loss per share did not include the effect of \$18,850,000 stock options (2020 - \$13,015,000) or \$275,000 warrants (2020 - \$7,380,000) as they are anti-dilutive

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13. CONTINGENCIES AND COMMITMENTS

The Company has offered a "Risk Free Guarantee" on sales of InterceptCS™ product allowing consumers if they are not satisfied with the product, within 90 days of the date of purchase, to return product directly to the Company for a full refund. While returns have been insignificant to date, there can be no assurance that the Company will not receive an increased level of returns in the future.

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14. FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments

The fair values of the Company's financial instruments approximate their carrying values. The carrying amounts of cash, accounts payable and accrued liabilities and loans from directors approximate their fair values due to the short-term maturities of these instruments.

(b) Currency risk

The Company did not have any foreign currency exposure as at July 31, 2021 and 2020. The results of the Company's operations are therefore not subject to currency transaction and translation risks.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company monitors its liquidity position regularly to assess whether it has the funds necessary to pay for the general and administrative expenses necessary to maintain the Company's books and records as well as its listing on the TSX Venture Exchange. However, as a company without a significant internally generated cash flow, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company, or that the Company may not be able to achieve successful operations. The current uncertainty in global markets and the fact that the Company has a nominal amount of assets could have an impact on the Company's future ability to obtain capital on terms that are acceptable to the Company, and on the Company's future ability to achieve successful operations. The Company has so far maintained a limited amount of cash for its operational needs by means of loans from the directors and past share issuances. As at July 31, 2021, the Company had cash and cash equivalents of \$1,780,847 (2020 - \$1,061,767) to settle current liabilities of \$887,118 (2020 - \$884,318). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity and the Company's ability to continue as a going concern (see note 2). The Company's ability to continually meet its obligations and carry out its planned exploration activities is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing.

**THERMA BRIGHT INC.**  
**Notes to the Financial Statements**  
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15. CAPITAL MANAGEMENT

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its business objectives, and to raise additional capital for liquidity requirements. The Company is not subject to any externally imposed capital requirements, and does not presently utilize any quantitative measures to monitor capital.

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16. SUBSEQUENT EVENTS

a) Subsequent to the year ended July 31, 2021, the Company issued 700,000 share purchase warrants to a consultant for services provided. The warrants will be exercisable for two years and a exercise price of \$0.46.

b) Subsequent to the year ended July 31, 2021, the Company issued 325,000 share purchase warrants to a consultant for services provided. The warrants will be exercisable for two years and a exercise price of \$0.41.

c) Subsequent to the year ended July 31, 2021, the Company granted 3,000,000 stock options to Directors, officer and consultants at an exercise price of \$0.55, to expiry in 3 years. The options vested immediately.

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