

THERMA BRIGHT INC.

Financial Statements

Year ended July 31, 2022

THERMA BRIGHT INC.

Table of Contents

Year ended July 31, 2022

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 3
FINANCIAL STATEMENTS	
Statement of Financial Position	4
Statement of Loss and Comprehensive Loss	5
Statement of Changes in Shareholders' Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 28



INDEPENDENT AUDITOR'S REPORT

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, 2022 and 2021, 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, 2022 and 2021, 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 \$5,881,072 during the year ended July 31, 2022 (2021: \$8,610,322) and, as of that date, the Company had an accumulated deficit of \$32,009,875 (2020: \$26,128,803). 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.

INDEPENDENT AUDITOR'S REPORT, continued

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.

INDEPENDENT AUDITOR'S REPORT, continued

- ♦ 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 28, 2022

HS & Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

THERMA BRIGHT INC.
Statement of Financial Position
July 31

	2022	2021
ASSETS		
CURRENT		
Cash	\$ 3,081,776	\$ 1,780,847
Accounts receivable	115,059	-
Inventory (Note 4)	172,724	51,200
Prepaid expenses	78,226	26,000
Sales taxes recoverable	136,097	95,463
	3,583,882	1,953,510
PROMISSORY NOTE RECEIVABLE (Note 5)	204,932	-
EQUIPMENT (Note 6)	34,041	83,176
INTANGIBLE ASSESTS (Note 7)	105,176	205,650
RIGHT OF USE ASSET (Note 8)	72,690	-
	\$ 4,000,721	\$ 2,242,336
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Accounts payable and accrued liabilities (Note 9)	\$ 1,143,062	\$ 887,118
Current portion of lease liability (Note 11)	20,162	-
	1,163,224	887,118
LONG-TERM DEBT (Note 10)	40,000	40,000
LEASE LIABILITY (Note 11)	50,388	-
	1,253,612	927,118
Basis of presentation and going concern (Note 2)		
Contingencies and commitments (Note 15)		
SHAREHOLDERS' EQUITY		
Share capital (Note 12)	20,859,500	18,913,637
Warrants reserve (Note 12)	7,031,863	3,238,763
Share based payments reserve (Note 12)	6,594,076	5,020,076
Equity portion of convertible debentures	271,545	271,545
Deficit	(32,009,875)	(26,128,803)
	2,747,109	1,315,218
	\$ 4,000,721	\$ 2,242,336

ON BEHALF OF THE BOARD

(Rob Fia) Director

(Tim Peterson) Director

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

	2022	2021
SALES	\$ 139,427	\$ 3,883
COST OF SALES		
Inventory - beginning of year	51,200	17,200
Purchases	197,471	34,000
	248,671	51,200
Inventory - end of year	172,724	51,200
	75,947	-
GROSS PROFIT	63,480	3,883
EXPENSES		
General and administrative	3,368,625	2,594,280
Research and development	805,538	1,371,386
Stock-based compensation (Note 12)	1,574,000	4,574,000
	5,748,163	8,539,666
LOSS FROM OPERATIONS	(5,684,683)	(8,535,783)
OTHER INCOME (EXPENSES)		
Amortization	(151,686)	(57,978)
Loss on foreign exchange	(43,320)	(13,561)
Loss on debt conversion (Note 12)	-	(3,000)
Accretion expense (Note 11)	(1,383)	-
	(196,389)	(74,539)
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	\$ (5,881,072)	\$ (8,610,322)
BASIC AND DILUTED LOSS PER SHARE	(0.03)	(0.04)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	228,453,636	199,964,619

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
Balance, July 31, 2020	164,755,622	\$ 11,059,857	\$ 1,047,375	\$ 3,378,218	\$ 1,985,451	\$ 271,545	\$ (17,518,481)	223,965
Net and comprehensive loss	-	-	-	-	-	-	(8,610,322)	(8,610,322)
Changes	54,651,661	7,853,780	(1,047,375)	(139,455)	3,034,625	-	-	9,701,575
Balance, July 31, 2021	219,407,283	18,913,637	-	3,238,763	5,020,076	271,545	(26,128,803)	1,315,218
Net and comprehensive loss							(5,881,072)	(5,881,072)
Changes	20,118,750	1,945,863		3,793,100	1,574,000			7,312,963
Balance, July 31, 2022	239,526,033	\$ 20,859,500	\$ -	\$ 7,031,863	\$ 6,594,076	\$ 271,545	\$ (32,009,875)	2,747,109

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

	2022	2021
OPERATING ACTIVITIES		
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	\$ (5,881,072)	\$ (8,610,322)
Adjustments for		
Amortization	151,686	57,978
Stock-based compensation expense	1,574,000	4,574,000
Accretion expense	1,383	-
Total	(4,154,003)	(3,978,344)
Change in non-cash working capital		
Accounts receivable	(115,059)	-
Inventory	(121,524)	(34,000)
Prepaid expenses	(52,226)	(3,488)
Sales taxes recoverable	(40,634)	(95,463)
Accounts payable and accrued liabilities	683,444	1,269,786
Sales taxes payable	-	(13,998)
Cash flow used by operating activities	(3,800,002)	(2,855,507)
INVESTING ACTIVITIES		
Promissory note receivable	(204,932)	-
Purchase of equipment	-	(100,000)
Purchase of intangible assets	-	(200,000)
Cash flow used by investing activities	(204,932)	(300,000)
FINANCING ACTIVITIES		
Loans from directors	-	(55,938)
Repayment of lease liability	(5,600)	-
Proceeds from shares issued	5,311,463	3,930,525
Cash flow from financing activities	5,305,863	3,874,587
INCREASE IN CASH	1,300,929	719,080
CASH - BEGINNING OF YEAR	1,780,847	1,061,767
CASH - END OF YEAR	\$ 3,081,776	\$ 1,780,847

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2022

1. NATURE OF OPERATIONS

Therma Bright Inc.(the "Company") was incorporated under the Business Corporations Act (Alberta) on March 5, 2001. The Company is the developer of the AcuVid™ COVID-19 Rapid Antigen Saliva Test, is a progressive medical diagnostic and device technology company focused on providing consumers and medical professionals with quality, innovative solutions that address some of today's most important medical and healthcare challenges. The Company's initial breakthrough proprietary technology delivers effective, non-invasive, and pain-free skincare. Therma Bright received a Class II medical device status from the FDA for its platform technology that is indicated for the relief of the pain, itch, and inflammation of a variety of insect bites or stings. The Company received clearance for the above claims from the US FDA in 1997.

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

These financial statements were authorized by the Board of Directors of the Company on November 28, 2022.

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, 2022, the Company incurred a loss of \$5,881,072 (July 31, 2021 - loss of \$8,610,322) and as of July 31, 2022, the Company had an accumulated deficit of \$32,009,875 (July 31, 2021 - \$26,128,803) and a net working capital of \$2,420,658 (July 31, 2021 - \$1,066,392).

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 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

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2022

2. BASIS OF PRESENTATION AND GOING CONCERN, continued

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 assets and liabilities amounts that might be necessary should the Company be unable to continue its operations. These adjustments could be material.

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 28, 2022, 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.

(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.

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(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) Leases and right-of-use assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is measured at cost, where cost comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

A lease liability is initially measured at the present value of the unpaid lease payments. Subsequently, the Company measures a lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments. Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs.

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(e) 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

(f) 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.

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.

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(f) Financial instruments, continued

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. 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 financial assets subject to impairment are accounts and note receivable,

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(f) Financial instruments, continued

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.

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.

(g) 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.

(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, 2022

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 stock options granted, warrants issued, accruals and valuation allowances.

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

(m) New accounting standards and interpretations

New accounting standards adopted

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.

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.

4. INVENTORY

Inventory consists solely of finished goods and is net of a provision for write down of \$30,000 (2021 - \$nil). Inventory expense during the year amounts to \$45,947 (2021 - \$nil).

5. PROMISSORY NOTE RECEIVABLE

During the year ended July 31, 2022, the Company entered into a consulting agreement for services. As part of the agreement, the Company advanced \$200,000 to the Consultant on a 2 year promissory note with a 10% interest rate. The Promissory note shall be reviewed at each 12 month period to calculate the value of services performed by the Consultant. The Promissory note is due and payable on demand by the Corporation in the event this agreement is terminated.

A director and officer of the Company is also a director and officer of the Consultant company.

During the year ended July 31, 2022, the Company recorded interest income of \$4,932 (year ended July 31, 2021 -\$nil). The amount is included in the promissory note receivable on the statement of financial position.

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2022

6. EQUIPMENT

	Cost	Accumulated amortization	2022 Net book value
Furniture and fixtures	\$ 3,081	\$ 1,793	\$ 1,288
Moulds	100,000	67,247	32,753
	\$ 103,081	\$ 69,040	\$ 34,041

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

During the year ended July 31, 2022, the Company recorded an impairment of \$32,500 (2021 - \$nil) on Benepod moulds.

7. INTANGIBLE ASSETS

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Domain name	\$ 49,490	\$ 9,648	\$ 39,842	\$ 42,317
Patents and trademarks	200,000	134,666	65,334	163,333
	\$ 249,490	\$ 144,314	\$ 105,176	\$ 205,650

During the year ended July 31, 2022, the Company recorded an impairment of \$65,333 (2021 - \$nil) on Benepod patents and trademarks.

8. RIGHT OF USE ASSET

	2022	2021
Additions	\$ 74,767	\$ -
Amortization	(2,077)	-
	\$ 72,690	\$ -

During the year ended July 31, 2022, the Company entered into a office lease for 3 years from July 1, 2022 to June 30, 2025. Office spaces are amortized over 36 months.

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2022

9. 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:

	2022	2021
Marrelli Support Services Inc. ("Marrelli Support")(i)	\$ 30,394	\$ 40,400
Intelvest Inc. ("Intelvest") (ii)	732,508	500,000
	\$ 762,902	\$ 540,400

i) For the year ended July 31, 2022, the Company expensed \$30,394 (year ended July 31, 2021 - \$40,400) 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, 2022, Marrelli Support was owed \$10,600 (July 31, 2021 - \$10,123) and this amount was included in accounts payable and accrued liabilities.

ii) For the year ended July 31, 2022, the Company expensed \$732,508 (year ended July 31, 2021 - \$500,000) to Intelvest, 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, 2022, Intelvest, was owed \$786,959 (July 31, 2021 -\$375,000) bonus payable based on stock price performance and expense reimbursement, and this amount was included in accounts payable and accrued liabilities.

iii) For the year ended July 31, 2022, the Company expensed \$71,400 (year ended July 31, 2021 - \$nil) to City View Green Holdings Inc., whose director and officer is also a director and officer of the Company, for the sublease of premises.

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

	2022	2021
Share based payments	\$ 648,500	\$ 1,967,258
Directors fees	-	80,000
Salaries and related benefits	-	80,000
	\$ 648,500	\$ 2,127,258

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2022

9. RELATED PARTY TRANSACTIONS AND BALANCES, continued

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, 2022, directors and key management personnel of the Company were owed \$10,000 (July 31, 2021 - \$10,000) 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, 2022, directors and officers of the Company, with individual control of less than 10% of the total common shares outstanding, collectively control 14,383,744 common shares of the company or approximately 6% 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.

10. LONG-TERM DEBT

	<u>2022</u>	<u>2021</u>
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.

During the year ended July 31, 2021, the Government of Canada announced that the deadline to repay loans under the Canada Emergency Business Account program would be extended by one year (that is from December 31, 2022 to December 31, 2023). As of January 1, 2024, the loan balance will bear interest at 5% and will be repayable on maturity on December 31, 2025.

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, you may repay some or all of the loan at any time.

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2022

11. LEASE LIABILITIES

During the year ended July 31, 2021, the Company entered into a lease for 3 years from July 1, 2022 to June 30, 2025. Under the lease, the Company is required to pay a monthly base rent of \$2,200. At the commencement date of the lease, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using a weighted average incremental borrowing rate of 10%.

	2022	2021
Additions during the year of \$74,767 and interest expense of \$1,383, net of lease payments of \$5,600	\$ 70,550	\$ -
Less current portion	20,162	-
Due beyond one year	\$ 50,388	\$ -
Less than 1 year	\$ 20,162	
1-3 years	24,966	
4-5 years	25,422	
After 5 years	-	
Total future minimum lease payments	\$ 70,550	

12. SHARE CAPITAL

	Issued	Amount
Authorized:		
Unlimited number of common and preferred shares without par value		
Issues and outstanding common shares:		
Balance - end of year (2021 - 219,407,283 common shares for \$18,913,637)	239,526,033	\$ 20,859,500

(a) Common shares

i) 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.
Notes to the Financial Statements
July 31, 2022

12. SHARE CAPITAL, continued

ii) 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.

iii) 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.

iv) 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.

v) 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.

vi) 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.

vii) On August 12, 2021, the Company settled aggregate debt of \$47,500 outstanding as at June 30, 2020, in consideration for which it issued an aggregate of 118,750 common shares at a deemed price of \$0.40 per share.

viii) On February 18, 2022, the Company issued, for gross proceeds of \$6,000,000, 20,000,000 Common Shares and Warrants at a purchase price of CAD\$0.30 per Common Share and associated Warrant. Each Warrant entitles the holder to purchase Common Shares at an exercise price of \$0.375 per Common Share at any time on or prior to February 18, 2027.

The Company incurred (i) a cash commission of \$480,000 (equal to 8.0% of the gross proceeds of the Private Placement); (ii) issued 1,600,000 compensation warrants (the "Agent Warrants"); and (iii) legal and other costs of \$208,036. The Agent Warrants are exercisable at an exercise price of \$0.375 per Common Share at any time on or before February 18, 2027.

A value of \$3,644,000 was estimated for the 20,000,000 Warrants and \$291,500 for the 1,600,000 Agents 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 \$0.28; expected volatility of 89.7% using the historical price history of the Company; riskfree interest rate of 1.72%; and an expected average life of 60 months.

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2022

12. SHARE CAPITAL, continued

(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.

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.

THERMA BRIGHT INC.

Notes to the Financial Statements

July 31, 2022

12. SHARE CAPITAL, continued

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.

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.

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2022

12. SHARE CAPITAL, continued

(b) Stock options, continued

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.

xi) On August 12, 2021, the Company granted of stock options to directors, officer and consultants to purchase up to an aggregate of 3,000,000 common shares of the Company. The options are exercisable for a period of three years at a price of \$0.55 per share. The options vest immediately. The estimated fair value of these options at the grant date was \$1,196,000 using the Black-Scholes valuation model. During the year ended July 31, 2022, \$1,196,000 (year ended July 31, 2021 - \$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: 0.58%; expected life: 3.0 years; expected volatility: 198.8% based on historical trends; forfeiture rate: nil; expected dividend yield: 0%; and weighted average share price: \$0.44.

xii) On January 4, 2022, the Company granted of stock options to a consultant to purchase up to an aggregate of 800,000 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 \$242,000 using the Black-Scholes valuation model. During the year ended July 31, 2022, \$242,000 (year ended July 31, 2021 - \$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: 1.09%; expected life: 3.0 years; expected volatility: 125.8% based on historical trends; forfeiture rate: nil; expected dividend yield: 0%; and weighted average share price: \$0.44.

xiii) On June 10, 2022, the Company granted of stock options to a consultant to purchase up to an aggregate of 1,475,000 common shares of the Company. The options are exercisable for a period of three years at a price of \$0.25 per share. The options vest immediately. The estimated fair value of these options at the grant date was \$135,000 using the Black-Scholes valuation model. During the year ended July 31, 2022, \$135,000 (year ended July 31, 2021 - \$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: 3.24%; expected life: 3.0 years; expected volatility: 96.9% based on historical trends; forfeiture rate: nil; expected dividend yield: 0%; and weighted average share price: \$0.17.

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2022

12. SHARE CAPITAL, continued

The following table summarizes information about the Company's options activity as of July 31, 2022:

	July 31, 2022		July 31, 2021	
	Number of options	Weighted average exercise price (\$)	Number of options	Weighted average exercise price (\$)
Issues and outstanding, beginning of year	18,850,000	\$ 0.24	13,015,000	\$ 0.09
Expired/ cancelled	(750,000)	-	-	-
Issued during the year	5,275,000	0.45	20,800,000	0.25
Exercised	-	-	(14,965,000)	0.10
End of year	23,375,000	\$ 0.29	18,850,000	\$ 0.24

The following table reflects the actual stock options issued and outstanding as of July 31, 2022:

Expiry Date	Exercise price (\$)	Weighted average remaining life (years)	Number of outstanding options	Number of options vested (exercisable)
January 17, 2023	\$ 0.10	0.47	350,000	350,000
January 23, 2023	0.10	0.48	100,000	100,000
March 2, 2023	0.10	0.59	500,000	500,000
May 8, 2023	0.05	0.77	650,000	650,000
March 22, 2024	0.44	1.64	1,000,000	1,000,000
August 12, 2024	0.55	2.04	3,000,000	3,000,000
January 04, 2025	0.44	2.43	800,000	800,000
June 10, 2025	0.25	2.86	1,475,000	1,475,000
August 20, 2025	0.22	3.06	11,100,000	11,100,000
August 26, 2025	0.22	3.07	200,000	200,000
December 7, 2025	0.22	3.36	250,000	250,000
December 24, 2025	0.22	3.40	200,000	200,000
January 5, 2026	0.28	3.44	750,000	750,000
January 15, 2026	0.35	3.46	200,000	200,000
January 25, 2026	0.45	3.49	300,000	300,000
March 4, 2026	0.30	3.59	2,500,000	2,500,000
	\$ 0.29	3.90	23,375,000	23,375,000

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2022

12. SHARE CAPITAL, continued

(c) Warrants

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

	July 31, 2022		July 31, 2021	
	Number of warrants	Weighted average exercise price (\$)	Number of warrants	Weighted average exercise price (\$)
Issues and outstanding, beginning of year	275,000	\$ 0.09	7,380,000	\$ 0.09
Issued during the year	22,725,000	0.38	9,658,330	0.15
Exercised/ expired	-	-	(16,763,330)	(0.12)
End of year	23,000,000	\$ 0.38	275,000	\$ 0.50

The following table summarizes the warrants outstanding and exercisable at July 31, 2022.

Issue Date	Exercise price	Warrants exercisable at July 31, 2022	Expiry date
May 26, 2021	\$ 0.60	100,000	May 26, 2023
May 26, 2021	0.45	175,000	May 26, 2023
August 12, 2021	0.46	700,000	August 12, 2023
August 31, 2021	0.41	325,000	August 31, 2023
December 15, 2021	0.39	100,000	December 15, 2023
February 18, 2022	0.375	20,000,000	February 18, 2027
February 18, 2022	0.375	1,600,000	February 18, 2027
		23,000,000	

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

1) 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.

2) On August 12, 2021, the Company issued 700,000 share purchase warrants to a consultant for the services provided. The warrants will be exercisable for two years at an exercise price of \$0.46. A value of \$258,000 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 \$0.44; expected volatility of 198.8% using the historical price history of the Company; risk-free interest rate of 0.46%; and an expected average life of 24 months.

3) On August 31, 2021, the Company issued 325,000 share purchase warrants to a consultant for the services provided. The warrants will be exercisable for two years at an exercise price of \$0.41.

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2022

12. SHARE CAPITAL, continued

A value of \$97,000 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 \$0.36; expected volatility of 198.6% using the historical price history of the Company; risk-free interest rate of 0.43%; and an expected average life of 24 months.

4) On December 15, 2021, the Company issued 100,000 share purchase warrants to a consultant for the services provided. The warrants will be exercisable for two years at an exercise price of \$0.39. A value of \$25,000 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 \$0.38; expected volatility of 134.5% using the historical price history of the Company; risk-free interest rate of 0.95%; and an expected average life of 24 months.

13. INCOME TAXES

(a) Deferred income taxes

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

	2022	2021
Future income tax asset		
Operating losses available to offset future taxes	\$ 4,006,000	\$ 3,144,000
Tax basis of timing differences	47,000	51,000
	4,053,000	3,195,000
Valuation allowance	(4,053,000)	(3,195,000)
	\$ -	\$ -

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% (2021 - 22%) to the loss for the years as follows:

	2022	2021
Loss for the year before income taxes	\$ (5,881,100)	\$ (8,610,300)
Anticipated income tax recovery	\$ (1,294,000)	\$ (169,200)
Benefit of income tax loss carry-forwards not previously recognized	862,000	933,000
Effect of items not deductible for tax purposes	432,000	1,030,300
Other	-	(69,300)
	\$ -	\$ -

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2022

13. INCOME TAXES, continued

(c) Income tax losses carried forward

As at July 31, 2022 the Company has non-capital losses of \$18,207,000 for tax purposes which can be applied against future taxable income. These losses expire in the years 2026 to 2042.

14. LOSS PER SHARE

For the year ended July 31, 2022, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of \$5,881,072 (year ended July 31, 2021 - \$8,610,322) and the weighted average number of common shares outstanding of 228,453,636 (year ended July 31, 2021 - 199,964,619). Diluted loss per share did not include the effect of 23,375,000 stock options (year ended July 31, 2021 - 18,850,000) or 23,000,000 warrants (year ended July 31, 2021 - 275,000) as they are anti-dilutive.

15. 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.

16. 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 receivable, accounts payable and accrued liabilities and current portion of lease obligations approximate their fair values due to the short-term maturities of these instruments.

(b) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company is exposed to this risk through accounts receivable of \$115,059 (2021 - \$nil) and accounts payable of \$44,765 (2021 - \$57,949) denominated in U.S. currency at the balance sheet date.

THERMA BRIGHT INC.
Notes to the Financial Statements
July 31, 2022

16. FINANCIAL INSTRUMENTS, continued

(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. As at July 31, 2022, the Company had cash and cash equivalents of \$3,081,776 (July 31, 2021 - \$1,780,847) to settle current liabilities of \$1,163,224 (July 31, 2021 - \$887,118). 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 activities is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing.

(d) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to accounts and note receivable.

17. 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.

18. SUBSEQUENT EVENT

Subsequent to the year ended July 31, 2022, the Company entered into a letter of intent ("LOI") with AI4LYF LLC ("AI4LYF") for the exclusive licensing rights for a digital cough-based diagnosis screening technology. Upon execution of the LOI, Therma Bright advanced \$200,000 and will advance an additional \$65,000 on December 1, 2022. Consideration payable to acquire the exclusive license is expected to be comprised of a royalty, common shares of the Company and up to 2,000,000 warrants, with each warrant being exercisable for a common share upon payment of \$0.17/share. The final terms of this transaction are currently being negotiated and a definitive agreement is expected to be signed by December 15, 2022. A finder's fee will be paid to an arm's length person upon execution of the definitive agreement. The finder's fee will be comprised of 500,000 shares and 500,000 three-year warrants, with each warrant being exercisable for a share upon payment of \$0.17.
