ocumetics
TECHNOLOGY CORP

INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023
(Expressed in Canadian Dollars)
(Unaudited)

Notice of No Auditor Review of Condensed Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed interim financial statements of Ocumetics Technology Corp. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

OCUMETICS TECHNOLOGY CORP.
Interim Statements of Financial Position
As at June 30, 2023 and December 31, 2022
(Expressed in Canadian dollars)
(Unaudited)

	June 30, 2023	December 31, 2022
	$	$
Assets		
Current assets		
Cash	**93,602**	602,087
Amounts receivable	**-**	1,266
Goods and services tax receivable	**56,960**	40,079
Prepaid expenses and deposits	**29,115**	29,547
Total current assets	**179,677**	672,979
Non-current assets		
Property and equipment (Note 5)	**75,421**	-
Intangible assets (Note 6)	**695,004**	700,878
Total assets	**950,102**	1,373,857
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	**358,946**	167,356
Due to related parties (Note 7)	**76,754**	76,754
	435,700	244,110
Non-current liabilities		
Due to related parties (Note 7)	**306,522**	292,342
Total liabilities	**742,222**	536,452
Shareholders' equity		
Share capital (Note 8)	**6,544,889**	5,356,195
Commitment to issue shares (Note 8)	**-**	45,000
Warrants reserve (Note 8	**90,389**	-
Contributed surplus (Note 8)	**1,281,298**	970,210
Deficit	**(7,708,696)**	(5,534,000)
Total shareholders' equity	**207,880**	837,405
Total liabilities and shareholders' equity	**950,102**	1,373,857

Going concern (Note 1)
Subsequent events (Note 11)

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

Approved and authorized for issuance on behalf of the Board of Directors on Aug 25, 2023

/s/ Garth Webb
Garth Webb, Director

/s/ Roger Jewett
Roger Jewett, Director

OCUMETICS TECHNOLOGY CORP.
Interim Statements of Loss and Comprehensive Loss
For the three and six months ended June 30, 2023 and 2022
(Expressed in Canadian dollars)
(Unaudited)

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	**2023**	2022
	$	$	**$**	$
Expenses				
Consulting fees (Note 7)	**862,490**	165,939	**1,115,505**	320,103
Research and development	**184,817**	174,127	**354,314**	299,983
Share-based compensation (Note 8)	**246,443**	158,343	**322,622**	303,704
Professional fees (Note 7)	**44,553**	45,124	**91,366**	59,132
Office and general	**35,900**	29,456	**68,301**	43,566
Amortization (Note 6)	**26,200**	24,998	**52,372**	49,996
Marketing	**55,740**	(10,241)	**96,808**	14,373
Listing costs	**4,730**	33,095	**9,409**	33,095
Patent fees	**27,762**	23,605	**43,281**	36,320
Accretion (Note 7)	**7,213**	-	**14,180**	-
Foreign exchange loss	**3,143**	3,623	**6,538**	6,090
Total expenses	**1,498,991**	648,069	**2,174,696**	1,166,362
Net loss and comprehensive loss	**(1,498,991)**	(648,069)	**(2,174,696)**	(1,166,362)
Net loss per share				
Basic and diluted (Note 8)	**(0.01)**	(0.01)	**(0.02)**	(0.01)
Weighted average number of common shares outstanding	**113,508,508**	108,859,368	**112,892,283**	108,745,302

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

OCUMETICS TECHNOLOGY CORP.
Interim Statements of Changes in Shareholders' Equity
For the six months ended June 30, 2023 and 2022
(Expressed in Canadian dollars)
(Unaudited)

	Number of Shares	Share Capital $	Commitment to issue shares $	Warrants Reserve $	Contributed surplus $	Deficit $	Total Equity $
Balance, December 31, 2021	108,513,302	4,914,570	-	19,206	507,338	(3,314,053)	2,127,061
Exercise of options	250,000	54,318	-	-	(23,068)	-	31,250
Exercise of warrants	2,428,248	387,307	-	(19,206)	-	-	368,101
Commitment to issue shares	-	-	45,000	-	-	-	45,000
Share-based payments	-	-	-	-	485,940	-	485,940
Net loss for the year	-	-	-	-	-	(2,219,947)	(2,219,947)
Balance, December 31, 2022	111,191,550	5,356,195	45,000	-	970,210	(5,534,000)	837,405
Shares issued from private placement	1,493,574	581,719	(45,000)	90,389	-	-	627,108
Share issuance costs	-	(4,184)	-	-	-	-	(4,184)
Shares issued in exchange for debt	1,717,647	584,000					584,000
Exercise of options	125,000	27,159	-	-	(11,534)	-	15,625
Share-based payments	-	-	-	-	322,622	-	322,622
Net loss for the year	-	-	-	-	-	(2,174,696)	(2,174,696)
Balance June 30, 2023	**114,527,771**	**6,544,889**	**-**	**90,389**	**1,281,298**	**(7,708,696)**	**207,880**

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

OCUMETICS TECHNOLOGY CORP.
Interim Statements of Cash Flows
For the three and six months ended June 30, 2023 and 2022
(Expressed in Canadian dollars)
(Unaudited)

	For the three months ended June 30		For the six months ended June 30	
	2023 **$**	2022 $	**2023** **$**	2022 $
Cash flows provided by (used in):				
Operating activities				
Net loss	**(1,498,991)**	(648,069)	**(2,174,696)**	(1,166,362)
Items not affecting cash:				
Amortization (Note 6)	**26,200**	24,998	**52,372**	49,996
Share-based compensation (Note 8)	**246,443**	158,343	**322,622**	303,704
Shares issued in exchange for debt	**584,000**	-	**584,000**	-
Amounts receivable	**1,266**	(13,393)	**1,266**	(13,393)
Accretion (Note 7)	**7,213**	-	**14,180**	-
Changes in non-cash working capital:				
Goods and Services Tax receivable	**(12,811)**	(7,830)	**(16,881)**	(15,576)
Prepaid expenses and deposits	**66,932**	(805)	**432**	(2,001)
Accounts payable and accrued liabilities	**97,313**	57,133	**191,590**	12,720
Net cash used in operating activities	**(482,435)**	(429,623)	**(1,025,115)**	(830,912)
Investing activities				
Purchase of property and equipment (Note 5)	**(75,421)**	-	**(75,421)**	-
Intangible assets (Note 6)	**(1,009)**	(7,713)	**(3,619)**	(11,906)
Other assets (Note 6)	**(35,917)**	(7,253)	**(42,879)**	(8,395)
Net cash provided by (used in) investing activities	**(112,347)**	(14,966)	**(121,919)**	(20,301)
Financing activities				
Net proceeds from issuance of shares (Note 8)	**-**	-	**622,924**	-
Proceeds from warrants exercised (Note 8)	**-**	136,735	**-**	136,735
Proceeds from options exercised (Note 8)	**-**	-	**15,625**	31,250
Cash provided by financing activities	**-**	136,735	**638,549**	167,985
Change in cash	**(594,782)**	(307,854)	**(508,485)**	(683,228)
Cash, beginning of period	**688,384**	1,467,742	**602,087**	1,843,116
Cash, end of period	**93,602**	1,159,888	**93,602**	1,159,888

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

1. Nature of Operations and Going Concern

Ocumetics Technology Corp. (formerly Quantum Blockchain Technologies Ltd.) (the "Company") was incorporated on February 5, 2018 under the Business Corporations Act of Alberta. Its current focus is to develop an accommodating intraocular lens to eliminate the need for corrective lenses, especially for people over 45 years of age. The Company's registered office is located at 1250, 639-5th Avenue SW, Calgary, Alberta T2P 0M9. The Company changed its name from Quantum Blockchain Technologies Ltd. ("Quantum") to Ocumetics Technology Corp. on August 27, 2021 and is listed on the TSX Venture Exchange (the "Exchange") under the symbol "OTC" as well as the Frankfurt exchange (FRA: 2QBO) and the OTC QB Market (OTCQB: OTCFF).

As described in Note 4, the Company completed its amalgamation transaction (the "Transaction") with Ocumetics Technology Corp. ("Ocumetics") pursuant to an amended and restated amalgamation agreement dated July 23, 2021 (the "Amalgamation Agreement"). The Transaction was completed by way of a share exchange between the shareholders of Quantum and Ocumetics. In exchange for 100% of the issued and outstanding shares of Ocumetics, the shareholders of Ocumetics received an aggregate of 80,918,496 common shares of the Company. The Transaction was completed on August 27, 2021 and constituted a reverse take-over acquisition ("RTO"). Ocumetics has been identified for accounting purposes as the acquirer, and accordingly, the Company is considered to be a continuation of Ocumetics, and the net assets of Quantum at the date of the RTO are deemed to have been acquired by Ocumetics (Note 4).

These interim financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at June 30, 2023, the Company has not generated any revenues from operations and for the six months ended June 30, 2023 has incurred a net loss of $2,174,696 and negative cash flows from operations of $1,025,115, and has an accumulated deficit of $7,708,696. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability to raise equity or debt financing, and the attainment of profitable operations from the Company's future business. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern, such adjustment could be material.

2. Basis of Presentation

(a) Statement of compliance

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

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

These interim financial statements were authorized for issue by the Board of Directors on August 25, 2023.

(b) Basis of preparation

The interim financial statements of the Company have been prepared on an accrual basis and are based on historical costs, except for certain financial assets and liabilities measured at fair value. The functional and presentation currency of the Company is the Canadian dollar.

The preparation of the financial statements requires that management make estimates, judgments, and assumptions based on available information. Accordingly, actual results may differ

2. Basis of Presentation (continued)

from estimates as future confirming events occur. Significant estimates and judgments used in the preparation of the financial statements are disclosed in note 3.

3. Significant Accounting Policies

(a) Significant accounting estimates and judgments

The preparation of these financial statements in conformity with IFRS requires the Company's management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates.

Estimates, judgements, and underlying assumptions are reviewed on an ongoing basis and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Estimates

Critical estimates exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Share-based payment transactions

The Company uses the Black-Scholes Option Pricing Model to determine the fair value of stock options and standalone share purchase warrants issued. This model requires the input of subjective assumptions including expected share price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings (loss) and equity reserves.

Taxes

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

Useful lives of intangible assets

Following initial recognition, the Company carries the value of intangible assets at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded on a straight-line basis based upon management's estimate of the useful life and residual value. The estimates are reviewed at least annually and are updated if expectations change as a result of technical obsolescence or legal and other limits to use.

Market interest rate

The Company makes estimates relating to the selection of an appropriate market rate of interest to discount non-interest or low interest rate loans.

Judgments

The key areas of judgment that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

Going concern

The assessment of the Company's ability to continue as a going concern involves management judgement about the Company's resources and future prospects. In assessing whether this assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. This

3. Significant Accounting Policies (continued)

assessment is based upon planned actions that may or may not occur for a number of reasons including the Company's own resources and external market conditions.

Impairment of intangible assets

The application of the Company's accounting policy for intangible assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information

Taxes

The Company recognizes deferred tax assets to the extent that it is probable that future taxable profits will be available to utilize the Company's deductible temporary differences which are based on management's judgment on the degree of future taxable profits. To the extent that future taxable profits differ significantly from the estimates impacts the amount of the deferred tax assets management judges is probable.

(b) Cash

Cash and cash equivalents are comprised of cash in banks and all short-term investments that are highly liquid in nature, cashable, and have an original maturity date of three months or less.

(c) Intangible assets

Intangible assets including intellectual property are measured at cost less accumulated amortization and accumulated impairment losses. Initial costs and subsequent costs that increase the expected future economic benefits incurred under the license agreement and intellectual property are capitalized and amortized from the date of capitalization on a straight-line basis over their estimated useful lives determined based on the expiry of the key patents underlying the intellectual property. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. If, after expenditures are capitalized, events or changes in circumstances indicate that the carrying amount may not be recoverable, the amount capitalized is written off in profit or loss in the period the new information becomes available.

Patents comprises patents which are in the application process and are pending the grant and registration of the patent. Amortization commences upon successful completion of the patent application, being the patent grant date.

As at June 30, 2023, the estimated remaining useful life of the intangible assets was approximately 5.10 years.

Upon retirement or disposal, the cost of the asset disposed of and the related accumulated amortization are removed from the accounts and any gain or loss is reflected in profit or loss.

(d) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

3. Significant Accounting Policies (continued)

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

(e) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the respective instrument. At initial recognition, the Company measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

Financial assets

The Company will classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, based on its business model for managing the financial asset and the financial asset's contractual cash flow characteristics. The three categories are defined as follows:

Amortized cost - a financial asset is measured at amortized cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's amounts receivable and goods and services taxes receivable are measured at amortized cost.

Fair value through other comprehensive income ("FVTOCI") - financial assets are classified and *measured* at FVTOCI if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. The Company does not have any financial assets classified as FVTOCI.

Fair value through profit or loss ("FVTPL") - any financial assets that are not held in one of the two business models mentioned are measured at FVTPL. The Company's cash are classified as FVTPL.

When, and only when, the Company changes its business model for managing financial assets it must reclassify all affected financial assets.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For the periods presented, the Company did not record any expected credit loss.

3. Significant Accounting Policies (continued)

Financial liabilities

The Company's financial liabilities include accounts payable and accrued liabilities and due to related parties. The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

FVTPL – This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of loss and comprehensive loss. The Company does not have any financial liabilities measured at FVTPL.

Amortized cost – Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The Company's accounts payable and accrued liabilities and due to related parties are classified at amortized cost.

After initial recognition, an entity cannot reclassify any financial liability.

(f) Foreign currency translation

The functional and reporting currency is the Canadian dollar. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Revenue and expenses are translated at average rates for the periods. Foreign exchange gains and losses are included in the statements of loss and comprehensive loss.

(g) Taxes

Current tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of loss and comprehensive loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

3. Significant Accounting Policies (continued)

(h) Share-based payments

The grant date fair value of share-based payment awards granted to employees is recognized as stock-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in stock options reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in stock options reserve is credited to share capital, adjusted for any consideration paid.

(i) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company’s common shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(j) Loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all “in the money” stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share is the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

(k) Accounting standards issued but not yet effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended June 30, 2023, and have not been early adopted in preparing these financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company’s financial statements.

(l) Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

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

(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit and is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

4. Reverse Take-Over

On August 27, 2021, the Company and Ocumetics completed the Transaction, which constituted an RTO. The RTO was completed by way of a share exchange between 100% of the shareholders of Ocumetics and the Company. Each outstanding common share and preferred share of Ocumetics was exchanged for three shares of the Company resulting in the issuance of 80,918,496 common shares. In addition, each of 711,416 share purchase warrants, that were convertible into an Ocumetics common share, were exchanged for three common share purchase warrants of the Company, resulting in the issuance of 2,134,248 Common Share purchase warrants. As the common shares and share purchase warrants of Ocumetics were exchanged on a three-for-one basis with the Company, historical share information of Ocumetics has been adjusted accordingly throughout these financial statements, unless noted otherwise.

The Transaction resulted in Ocumetics obtaining control of the combined entity by obtaining control of governance and management decision-making processes, and the resulting authority to govern the financial and operating policies of the combined entity. The Transaction has been accounted for as a reverse acquisition transaction in accordance with IFRS 2, Share-based Payments. The Company did not meet the definition of a business in accordance with IFRS 3, Business Combinations, as such, the Transaction does not constitute a business combination.

For accounting purposes, Ocumetics is treated as the accounting parent (legal subsidiary) and the Company as the accounting subsidiary (legal parent). The fair value of the consideration paid by Ocumetics, net of transaction costs, less the fair value of net assets of the Company acquired by Ocumetics, constitutes non-cash listing expense and has been recorded in the statement of loss and comprehensive loss. These financial statements reflect the assets, liabilities and operations of Ocumetics since its incorporation and of the Company from August 27, 2021.

The Transaction was measured at the fair value of the shares that Ocumetics would have had to issue to the shareholders of the Company, being 5,540,000 common shares, to give the shareholders of the Company the same percentage of equity interest in the combined entity that results from the reverse acquisition had it taken the legal form of Ocumetics acquiring the Company.

	August 27, 2021 $
Consideration paid on RTO:	
5,540,000 common shares	692,500
Fair value of 375,000 options deemed issued upon completion of RTO	26,971
Total consideration	719,471
Less fair value of net assets acquired:	
Cash	154,710
Prepaid expenses	4,400
Amounts receivable	1,230
Accounts payable	(10,894)
Net identifiable assets acquired	149,446
Non-cash listing expense	570,025

(Expressed in Canadian dollars)

5. Property and Equipment

	Equipment $
Costs:	
Balance, December 31, 2022	-
Additions	75,421
Balance, June 30, 2023	**75,421**
Accumulated Depreciation:	
Balance, December 31, 2022	-
Depreciation	-
Balance, June 30, 2023	**-**
Net Book Value:	
Balance, December 31, 2022	-
Balance, June 30, 2023	**75,421**

During the six months ended June 30, 2023 the Company purchased equipment but have not recorded depreciation as the equipment is not yet in use.

6. Intangible Assets

On April 12, 2012, Ocumetics entered into an Amended and Restated License Agreement (“License Agreement”) with Ventura Holding Ltd. (“Ventura”), a related party with certain common shareholders (Note 6), for the worldwide and exclusive right to utilize novel technologies, comprising intuitive suspension systems for accommodating and fixed focus lenses and related patents and improvements (the “Intellectual Property”). The License Agreement set out the consideration as follows:

- an initial lump sum payment of $500,000 which amount shall be paid within 12 months from the achievement of commercialization. Under the License Agreement, commercialization is achieved when Ocumetics has sold at least 1,000 units per month to paying third-party customers for at least nine consecutive months, or at least 6,000 units, in the aggregate, over a nine-month period. (Note 6);
- 1,900,000 Class A Voting common shares of Ocumetics (5,700,000 post-RTO) plus accumulated legal fees and other fees and expenses relating to the development, registration and maintenance of the Intellectual Property prior to April 12, 2012;
- from time to time as accrued by Ventura, the total amount of all accumulated legal fees and other fees and expenses of relating to the development, registration and maintenance of any Intellectual Property; and
- an annual royalty of 1% of the Ocumetics net income derived from the rights granted under the License Agreement to the Intellectual Property, calculated based on the fiscal year of Ocumetics and payable within two months after the end of each fiscal year in immediately available funds.

On January 28, 2021, Ocumetics purchased the Intellectual Property from Ventura pursuant to the Amended and Restated Intellectual Property Transfer Agreement between Ventura and Ocumetics dated January 28, 2021 (the “IP Transfer Agreement”) for a purchase price of $500,000 that was paid through the issuance of a non-interest-bearing promissory note secured against the Intellectual Property (the “Promissory Note”) repayable 12 months after the achievement of commercialization. Under the Promissory Note, commercialization is achieved when Ocumetics has sold at least 1,000 units per month to paying third-party customers for at least nine consecutive months, or at least 6,000 units, in the aggregate, over a nine-month period. Upon the occurrence of an event of default under the Promissory Note, the Principal Amount shall be immediately due and payable in full and Ventura shall be entitled to enforce its security. Ocumetics and Ventura also entered into royalty agreement for the payment to Ventura of royalties of 2% of net sales derived from the Intellectual Property (the

(Expressed in Canadian dollars)

6. Intangible assets (continued)

"Royalty Agreement"). The License Agreement was terminated upon the transfer of the Intellectual Property under the IP Transfer Agreement. The $500,000 that was due under the License Agreement was replaced by the Promissory Note and the 1% royalty that was due under the License Agreement was replaced by the 2% royalty payable under the Royalty Agreement.

The following is a continuity schedule of intangible assets:

	Intellectual Property $	Patents $	Total $
Cost:			
Balance, December 31, 2021	1,210,242	107,849	1,318,091
Additions	12,229	54,595	66,824
Patents granted	12,529	(12,529)	-
Balance, December 31, 2022	1,235,000	149,915	1,384,915
Additions	3,619	42,879	46,498
Balance, June 30, 2023	**1,238,619**	**192,794**	**1,431,413**
Accumulated amortization:			
Balance, December 31, 2021	581,831	-	581,831
Additions	102,206	-	102,206
Balance, December 31, 2022	684,037	-	684,037
Additions	52,372	-	52,372
Balance, June 30, 2023	**736,409**	**-**	**736,409**
Net book value:			
Balance, December 31, 2021	628,411	107,849	736,260
Balance, December 31, 2022	550,963	149,915	700,878
Balance, June 30, 2023	**502,210**	**192,794**	**695,004**

7. Related Party Transactions and Balances

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Key management compensation

The Company has identified its directors and certain senior officers of the Company, who have the authority and responsibility for planning, directing and controlling the activities of the Company, as key management personnel. All related party transactions were incurred in the normal course of operations and initially recorded at fair value.

For the six months ended	**June 30, 2023 $**	June 30, 2022 $
Consulting fees, Chief Executive Officer (1)	**83,257**	36,000
Consulting fees, Chief Scientific Officer	**54,000**	36,000
Consulting fees, Chief Financial Officer (2)	**82,550**	73,268
Consulting fees, Chief Medical Officer	**161,639**	76,343
Consulting fees, Directors	**60,000**	42,000
Severance/retention payments, CEO and CFO (3)	**584,000**	-
Share-based compensation	**322,622**	303,704
	1,348,068	567,315

(Expressed in Canadian dollars)

7. Related Party Transactions and Balances (continued)

(1) On June 12, 2023, Dr. Mark Lee resigned as President and CEO and Dean Burns was appointed President and CEO.

(2) For the six months ended June 30, 2023, additional accounting services fees in the amount of $33,000 were paid to a company controlled by the Chief Financial Officer (six months ended June 30, 2022 $16,018).

(3) On April 21, 2023, the Company entered a settlement agreement with the CEO in the amount of $300,000 with respect to severance (see Note 8). In addition, the Company entered a retention agreement with the CFO in the amount of $284,000 (see Note 8).

In addition to the transactions above, the Company incurred legal fees in the amount of $59,341 for the six months ended June 30, 2023 (six months ended June 30, 2022 - $24,887) with a legal firm, one of whose partners is the spouse of a director of the Company.

Summary of related party balances:

Other than the promissory note (Note 6), all amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

	June 30, 2023 $	December 31, 2022 $
Due to Ventura (Note 6)	383,276	369,096
Due to Chief Executive Officer *	22,704	-
Due to Chief Scientific Officer *	56,700	-
Due to Chief Financial Officer *	31,028	11,033
Due to Chief Medical Officer *	52,976	-
Due to Director *	5,250	-
	551,934	380,129

* Included in accounts payable and accrued liabilities.

As at June 30, 2023, in addition to the balance stated above, $21,113 (December 31, 2022 - $3,135) is payable to a legal firm, one of whose partners is the spouse of a director of the Company. This amount is included in accounts payable and accrued liabilities.

As at June 30, 2023, $306,522 of the amount due to Ventura has been presented as non-current (December 31, 2022 - $292,342) as management does not expect that Commercialization (Note 6) will take place within 12 months after the reporting period. The loan is secured by the related intellectual property. The amount due represents the $500,000 promissory note, discounted at 9.59%, being a market rate of interest of similar debt on the date of issuance, which resulted in a capital contribution of $256,715 on the date of issuance. During the six months ended June 30, 2023, accretion was recorded on the loan for $14,180 (year ended December 31, 2022 - $26,629).

8. Share Capital

(a) Authorized Share Capital

At June 30, 2023, the Company had the following authorized capital:

- Unlimited number of voting common shares

(b) Issued Share Capital

During the five month period ended December 31, 2021, Ocumetics issued the following shares:

(Expressed in Canadian dollars)

8. Share Capital (continued)

(i) On August 27, 2021, concurrent with the RTO transaction, the Company completed a private placement of an aggregate of 21,604,800 common shares at a price of $0.125 per share for total gross proceeds of $2,700,600 and issued 200,000 common shares to Haywood Securities Inc. in exchange for its services as the sponsor. The Company paid finders fees consisting of cash commissions of $36,750 and warrants to purchase 294,000 common shares of the Company at a price of $0.125 per common share for 24 months.

(ii) 250,000 stock options were exercised at a price of $0.10 for proceeds of $25,000.

During the year ended December 31, 2022, the Company issued the following shares:

(i) 250,000 stock options were exercised at a price of $0.125 for proceeds of $31,250.

(ii) 2,428,248 warrants were exercised at prices ranging from $0.092 to $0.20 for proceeds of $368,101.

During the six months ended June 30, 2023, the Company issued the following shares:

(i) On February 1, 2023, the Company completed a private placement of 1,493,574 units (“Units”) at a price of $0.45 per Unit for gross proceeds of $672,108.15, of which $45,000 was received in the prior year. Each Unit consists of one common share in the share capital of the Company (“Common Share”) and one-half of one common share purchase warrant. Each whole warrant (“Warrant”) entitles the holder to purchase one additional Common Share at an exercise price of $0.90 for a period of two years from the date of issuance of the Warrant.

(ii) 125,000 stock options were exercised at a price of $0.125 for proceeds of $15,625.

(iii) On May 25, 2023, the Company issued 882,353 common shares to a company controlled by the CEO of the Company in connection with the resignation of the CEO and an agreed payment of $300,000 payable in common shares of the Company at a deemed price of $0.34 per share.

(iv) Also on May 25, 2023, the Company issued 835,294 common shares to a company controlled by the CFO of the Company in connection with a retention bonus, an agreement to waive future severance for which it may be entitled and an agreed payment of $284,000 payable in common shares of the Company, at a deemed price of $0.34 per share.

(c) Escrowed

The Company is subject to the Exchange escrow requirements. In conjunction with completion of the RTO on August 27, 2021, the Company had the following securities escrowed and released:

Description	Officers and directors	Seed share restrictions	Quantum shares	Total shares escrowed
Escrowed August 27, 2021	56,250,000	17,400,000	2,500,000	76,150,000
Released August 27/31, 2021	(5,625,000)	(1,740,003)	(625,000)	(7,990,003)
Balance, December 31, 2021	50,625,000	15,659,997	1,875,000	68,159,997
Released Feb 27/28, 2022	(8,437,500)	(2,610,003)	(625,000)	(11,672,503)
Released Aug 27/31, 2022	(8,437,500)	(2,610,003)	(625,000)	(11,672,503)
Balance, December 31, 2022	33,750,000	10,439,991	625,000	44,814,991
Released Feb 27/28, 2023	(8,437,500)	(2,610,003)	(625,000)	(11,672,503)
Balance, June 30, 2023	**25,312,500**	**7,829,988**	**-**	**33,142,488**

(Expressed in Canadian dollars)

8. Share Capital (continued)

The escrowed officer, director and seed shares are releasable from escrow as follows:

- 10% - upon receipt of Exchange Bulletin (released August 27, 2021 / August 31, 2021)
- 15% - February 27/February 28, 2022 (released)
- 15% - August 27/August 31, 2022 (released)
- 15% - February 27/February 28, 2023 (released)
- 15% - August 27/August 31, 2023
- 15% - February 27/February 29, 2024
- 15% - August 27/August 31, 2024

The escrowed Quantum shares are releasable from escrow as follows:

- 25% - upon receipt of Exchange Bulletin (released August 27, 2021)
- 25% - February 27, 2022 (released)
- 25% - August 27, 2022 (released)
- 25% - February 27, 2023 (released)

(d) Warrants

A continuity schedule of share purchase warrants outstanding is as follows:

	Number	Weighted Average Exercise Price ($)
Balance, July 31, 2021	2,134,248	0.155
Issued as finders fee	294,000	0.125
Balance, December 31, 2021	2,428,248	0.152
Exercised	(2,428,248)	0.152
Balance, December 31, 2022	-	-
Issued	746,787	0.90
Balance, June 30, 2023	**746,787**	**0.90**

The Company calculated the fair value of the 294,000 share purchase warrants granted on August 27, 2021 using the Black-Scholes pricing model using the following assumptions:

	Five Months Ended December 31, 2021
Share-price	$0.125
Risk-free interest rate	0.44%
Expected volatility	100%
Dividend yield	0%
Expected life of each warrant granted	2 years
Estimated forfeiture rate	0%
Fair value per warrant	$0.07

The fair value of the 294,000 share purchase warrants granted on August 27, 2021 was $19,206.

On February 1, 2023, 746,787 share purchase warrants were issued at an exercise price of $0.90 for a period of two years from the date of issuance of the Warrant. As of June 30, 2023, the Company had 746,787 share purchase warrants outstanding.

The Company calculated the fair value of the 746,787 share purchase warrants granted on February 1, 2023 using the Black-Scholes pricing model using the following assumptions:

(Expressed in Canadian dollars)

8. Share Capital (continued)

	Six Months Ended June 30, 2023
Share-price	$0.90
Risk-free interest rate	3.76%
Expected volatility	94%
Dividend yield	0%
Expected life of each warrant granted	2 years
Estimated forfeiture rate	0%
Fair value per warrant	$0.12

The fair value of the 746,787 share purchase warrants granted on February 1, 2023 was $90,389.

(e) Options

The Company has adopted an incentive stock option plan in accordance with the policies of the Exchange (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares. The Stock Option Plan provides that options shall be exercisable for the duration set out in the individual option agreements, which in no event shall exceed ten (10) years from the date such options are granted. In addition, the number of common shares reserved for issuance to any one person shall not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed two percent (2%) of the issued and outstanding common shares. The Board of Directors determines the price per common share and the number of common shares which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of the Exchange.

A continuity schedule of share purchase options outstanding is as follows:

Description	Number of Options	Weighted Average Exercise Price $
Balance, July 31, 2021	-	-
Quantum options on RTO (Note 4)	375,000	0.100
Granted	9,412,117	0.152
Exercised	(250,000)	0.100
Balance, December 31, 2021	9,537,117	0.152
Exercised	(250,000)	0.125
Balance, December 31, 2022	9,287,117	0.152
Granted	2,141,317	0.325
Exercised	(125,000)	0.125
Cancelled	(541,317)	0.600
Balance, June 30, 2023	**10,762,117**	**0.165**
Exercisable, June 30, 2023	**8,404,274**	**0.139**

As at June 30, 2023, the Company had the following outstanding share purchase options:

(Expressed in Canadian dollars)

8. Share Capital (continued)

Number of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price ($)	Expiry date
125,000	125,000	0.100	August 29, 2023
541,317	541,317	0.34	April 24, 2025
8,495,800	7,737,957	0.125	August 27, 2026
1,600,000	-	0.32	June 12, 2028
10,762,117	**8,404,274**	**0.165**	

On August 29, 2018, Quantum issued 375,000 incentive stock options under its stock option plan to directors and officers of Quantum. The options, which vested immediately, may be exercised at a price of $0.10 per common share for a period of five years from the date of the agreement. On August 27, 2021, the Company was deemed to issue these options for accounting purposes and recognized the estimated fair value of $26,971 on that date as consideration upon completion of the RTO (Note 4).

On August 27, 2021, the Company issued 8,870,800 incentive stock options to directors, officers and consultants pursuant to the terms of the stock option plan of the Company. Each option entitles the holder thereof to purchase one common share in the capital of the Company, at an exercise price per common share of $0.125 for a period of five years. 125,000 of the stock options vested immediately, 250,000 will vest 50% in 6 months and 50% in 12 months, and the balance will vest over a period of three years, with 15% of the options vesting 6 months after the date of issuance, another 15% vesting after 12 months, another 35% after 24 months and the remaining 35% after 36 months.

The Company estimated the fair value of the 8,870,800 incentive stock options granted on August 27, 2021 using the Black-Scholes pricing model using the following assumptions:

	Five Months Ended December 31, 2021
Share-price	$0.125
Risk-free interest rate	0.85%
Expected volatility	99%
Dividend yield	0%
Expected life of each option granted	5 years
Estimated forfeiture rate	0%
Estimated fair value per option	$0.09

On November 24, 2021, the Company issued 541,347 incentive stock options to directors, officers and consultants pursuant to the terms of the stock option plan of the Company. Each option entitles the holder thereof to purchase one common share in the capital of the Company, at an exercise price per common share of $0.60 for a period of five years. The stock options will vest over a period of three years, with 15% of the options vesting 6 months after the date of issuance, another 15% vesting after 12 months, another 35% after 24 months and the remaining 35% after 36 months.

The Company estimated the fair value of the 541,347 incentive stock options granted on November 24, 2021 using the Black-Scholes pricing model using the following assumptions:

(Expressed in Canadian dollars)

8. Share Capital (continued)

	Five Months Ended December 31, 2021
Share-price	$0.60
Risk-free interest rate	1.55%
Expected volatility	99%
Dividend yield	0%
Expected life of each option granted	5 years
Estimated forfeiture rate	0%
Fair value per option	$0.45

On April 24, 2023 the Company cancelled 541,317 partially vested incentive stock options that were issued to a director of the company in November 2021 at a price of $0.60 per common share, and reissued 541,317 fully vested incentive stock options to the director with an exercise price of $0.34 per common share for a period of two years.

On April 24, 2023 the Company also accelerated the vesting of 7,413,167 of its outstanding incentive stock options, such that these incentive stock options vested immediately.

On June 12, 2023, the Company issued 1,600,000 incentive stock options to a director of the company pursuant to the terms of the stock option plan of the Company. Each option entitles the holder thereof to purchase one common share in the capital of the Company, at an exercise price per common share of $0.32 for a period of five years. The stock options will vest over a period of three years, with 15% of the options vesting 6 months after the date of issuance, another 15% vesting after 12 months, another 15% after 18 months, another 15% after 24 months, another 20% after 30 months and the remaining 20% after 36 months.

The Company estimated the fair value of the 1,600,000 incentive stock options granted on June 12, 2023 using the Black-Scholes pricing model using the following assumptions:

	Six Months Ended June 30, 2023
Share-price	$0.32
Risk-free interest rate	3.64%
Expected volatility	123%
Dividend yield	0%
Expected life of each option granted	5 years
Estimated forfeiture rate	0%
Fair value per option	$0.27

The Company recognized $322,622 of stock-based compensation expense during the six months ended June 30, 2023 (six months ended June 30, 2022 - $303,704).

At June 30, 2023, the weighted average remaining contractual life of the outstanding options is 3.33 years (December 31, 2022 – 3.63 years).

(f) Loss per share

The calculation of weighted average shares outstanding for the diluted loss per share calculation excludes the impact of the options and warrants outstanding as at June 30, 2023 and December 31, 2022 as the effect is anti-dilutive.

9. Capital Management

The capital structure of the Company consists of all components of shareholders' equity. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to provide an adequate return to shareholders, to meet external capital requirements on the Company's debt and credit facilities and preserve financial flexibility in order to benefit from potential opportunities that may arise.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements. There has been no change in the Company's approach to capital management during the period ended June 30, 2023.

10. Financial Instruments and Risk Management

The Company, as part of its operations, carries financial instruments consisting of cash, amounts receivable, accounts payable and accrued liabilities, and due to related parties. It is management's opinion that the Company is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

<u>Fair values and classification</u>

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

i. Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
ii. Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
iii. Level 3 – Unobservable inputs that are supported by little or no market activity, therefore requiring an entity to develop its own assumptions about the assumption that market participants would use in pricing.

The fair values of cash, amounts receivable, accounts payable and accrued liabilities and current portion of due to related parties approximates their carrying values due to the relatively short-term maturity of these instruments. The carrying value of the long-term portion of due to related parties approximates fair value due to the market rate of interest utilized in the calculation. Cash is measured at fair value on a recurring basis using level 1 inputs.

<u>Financial instrument risk exposure</u>

The Company's financial instruments are exposed to certain financial risks, including credit risk, currency risk, interest risk and liquidity risk.

(a) Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk. The Company's maximum credit risk is equal to the carrying value of cash and cash equivalents at June 30, 2023 and December 31, 2022.

(b) Currency risk

The Company's assets, liabilities, and expenses are denominated primarily in Canadian dollars. The Company's corporate office is based in Canada and current exposure to rate fluctuations is

10. Financial Instruments and Risk Management (continued)

minimal. The Company does not have significant foreign currency denominated monetary liabilities.

(c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company manages its interest rate risk by maximizing the interest earned on excess funds while maintaining the liquidity necessary to fund daily operations. The Company is not exposed to significant interest rate risk.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash and cash equivalents. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company's accounts payable, and due to related parties have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

11. Subsequent events

On July 21, 2023, the Company completed the first tranche of a private placement of 1,880,868 units ("Units") at a price of $0.30 per Unit for gross proceeds of $564,260.40. On August 14, 2023, the Company completed a second tranche of the private placement of a further 1,452,465 Units for gross proceeds of $435,739.60. Each Unit consists of one common share in the share capital of the Company ("Common Share") and one-half of one common share purchase warrant. Each whole warrant ("Warrant") entitles the holder to purchase one additional Common Share at an exercise price of $0.60 for a period of two years from the date of issuance of the Warrant.

On July 25, 2023, the Company issued 480,000 common shares for gross proceeds of $60,000 pursuant to the exercise of share options with an exercise price of $0.125 per common share.

On July 25, 2023, the Company issued 125,000 common shares for gross proceeds of $12,500 pursuant to the exercise of share options with an exercise price of $0.10 per common share.