

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Form 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2021

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-56074

**BIOTRICITY INC.**

(Exact name of registrant as specified in its charter)

**Nevada**  
State or other jurisdiction  
of incorporation or organization)

**30-0983531**  
(I.R.S. Employer  
Identification No.)

**275 Shoreline Drive, Suite 150**  
**Redwood City, California 94065**  
(Address of principal executive offices)

(650) 832-1626  
(Registrant's Telephone Number, Including Area Code)

Indicate by check whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act).

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	BTCY	The NASDAQ Stock Market LLC

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 49,810,322 shares of Common Stock, \$0.001 par value, at February 11, 2022. As at that same date, the Company also has 1,466,718 Exchangeable Shares outstanding that convert directly into common shares, which when combined with its Common Stock produce an amount equivalent to 51,277,040 outstanding voting securities.

**BIOTRICITY INC.**

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**PART 1**  
**FINANCIAL INFORMATION**

**Item 1 – Condensed Consolidated Financial Statements**

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**BIOTRICITY INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**AS AT DECEMBER 31, 2021 (unaudited) AND MARCH 31, 2021 (audited)**  
**(Expressed in US Dollars)**

	<u>As at December 31, 2021</u>	<u>As at March 31, 2021</u>
	\$	\$
<b>CURRENT ASSETS</b>		
Cash	16,790,346	2,201,562
Accounts receivable, net	1,989,063	1,520,836
Inventory	359,834	272,493
Deposits and other receivables	470,622	326,664
<b>Total current assets</b>	<b>19,609,865</b>	<b>4,321,555</b>
Deposits and other receivables	33,000	-
Long-term accounts receivable	2,723	50,358
Property, plant and equipment	28,947	-
Operating right-of-use lease asset [Note 10]	1,370,960	66,120
<b>TOTAL ASSETS</b>	<b>21,045,495</b>	<b>4,438,033</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities [Note 4]	2,916,973	2,520,124
Convertible promissory notes and short term loans [Note 5]	1,138,014	4,278,018
Derivative liabilities [Note 8]	572,005	3,633,856
Operating lease liability [Note 10]	201,852	58,257
<b>Total current liabilities</b>	<b>4,828,844</b>	<b>10,490,255</b>
Federally guaranteed loans [Note 7]	870,800	370,900
Term loan [Note 6]	11,563,363	-
Derivative liabilities [Note 8]	286,811	410,042
Operating lease liability [Note 10]	1,176,606	-
<b>TOTAL LIABILITIES</b>	<b>18,726,424</b>	<b>11,271,197</b>
<b>STOCKHOLDERS' EQUITY (DEFICIENCY)</b>		
Preferred stock, \$0.001 par value, 10,000,000 authorized as at December 31, 2021 and March 31, 2021, respectively, 1 share issued and outstanding as at December 31, 2021 and March 31, 2021, respectively [Note 9]	1	1
Preferred stock, \$0.001 par value, 20,000 authorized as at December 31, 2021 and March 31, 2021, respectively, 7,201 and 8,045 preferred shares issued and outstanding as at December 31, 2021 and as at March 31, 2021, respectively [Note 9]	7	8
Common stock, \$0.001 par value, 125,000,000 authorized as at December 31, 2021 and March 31, 2021, respectively. Issued and outstanding common shares: 48,190,142 and 36,124,964 as at December 31, 2021 and March 31, 2021, respectively, and exchangeable shares of 1,466,718 and 2,889,978 outstanding as at December 31, 2021 and March 31, 2021, respectively [Note 9]	49,657	39,015
Shares to be issued 1,233,329 and 268,402 shares of common stock as at December 31, 2021 and March 31, 2021, respectively) [Note 9]	4,086,361	280,960
Additional paid-in-capital	85,874,483	56,298,726
Accumulated other comprehensive loss	(636,027)	(634,186)
Accumulated deficit	(87,055,411)	(62,817,688)
<b>Total stockholders' equity (deficiency)</b>	<b>2,319,071</b>	<b>(6,833,164)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY</b>	<b>21,045,495</b>	<b>4,438,033</b>

*See accompanying notes to unaudited condensed consolidated interim financial statements*

**BIOTRICITY INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
**FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2021 AND 2020 (unaudited)**  
(Expressed in US Dollars)

	3 Months Ended December 31, 2021	3 Months Ended December 31, 2020	9 Months Ended December 31, 2021	9 Months Ended December 31, 2020
	\$	\$	\$	\$
<b>REVENUE</b>	<b>1,930,108</b>	1,001,252	<b>5,501,527</b>	2,197,734
Cost of Revenue	<u>1,105,271</u>	859,363	<u>2,372,011</u>	1,643,724
<b>GROSS PROFIT</b>	<b>824,837</b>	141,889	<b>3,129,516</b>	554,010
<b>EXPENSES</b>				
General and administrative expenses [Notes 8, 9 and 10]	4,659,638	3,338,382	13,921,014	9,152,010
Research and development expenses	<u>900,499</u>	681,411	<u>2,115,134</u>	1,507,634
<b>TOTAL OPERATING EXPENSES</b>	<b>5,560,137</b>	4,019,793	<b>16,036,148</b>	10,659,644
Other (income)/expense [Note 8] [Note 9]	264,734	(8,637)	1,101,095	(25,604)
Accretion and amortization expenses [Note 5] [Note 6]	1,334,842	380,692	8,834,728	722,795
Change in fair value of derivative liabilities [Note 8]	<u>774,773</u>	(349,714)	<u>676,182</u>	(783,193)
<b>NET LOSS BEFORE INCOME TAXES</b>	<b>(7,109,649)</b>	(3,900,245)	<b>(23,518,637)</b>	(10,019,632)
Income taxes	-	-	-	-
<b>NET LOSS BEFORE DIVIDENDS</b>	<b>(7,109,649)</b>	(3,900,245)	<b>(23,518,637)</b>	(10,019,632)
Less: Preferred Stock Dividends	<u>233,222</u>	218,904	<u>719,086</u>	649,336
<b>NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS</b>	<b>(7,342,871)</b>	(4,119,149)	<b>(24,237,723)</b>	(10,668,968)
Translation adjustment	<u>(20,064)</u>	366,788	<u>(1,841)</u>	187,247
<b>COMPREHENSIVE LOSS</b>	<b>(7,362,935)</b>	(3,752,361)	<b>(24,239,564)</b>	(10,481,721)
<b>LOSS PER SHARE, BASIC AND DILUTED</b>	<b>(0.149)</b>	(0.111)	<b>(0.554)</b>	(0.288)
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	<b>49,168,264</b>	37,256,315	<b>43,747,569</b>	37,038,957

See accompanying notes to unaudited condensed consolidated interim financial statements

**BIOTRICITY INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIENCY)**  
**FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2021 AND 2020 (unaudited)**

	Preferred stock		Common stock and exchangeable common shares		Shares to be Issued		Additional paid in capital	Accumulated other comprehensive (loss) income	Accumulated deficit	Total
	Shares	\$	Shares	\$	Shares	\$				
<b>Balance, September 30, 2021 (unaudited)</b>	<b>8,146</b>	<b>9</b>	<b>48,876,312</b>	<b>48,876</b>	<b>1,014,303</b>	<b>3,130,926</b>	<b>84,893,876</b>	<b>(615,963)</b>	<b>(79,712,541)</b>	<b>7,745,183</b>
Issuance costs: warrants to brokers [Note 9]	-	-	-	-	-	-	-	-	-	-
Conversion of convertible notes into common shares [Note 9]	-	-	207,516	208	-	-	875,105	-	-	875,313
Issuance of additional shares to convertible note holders [Note 9]	-	-	37,820	38	-	-	153,133	-	-	153,171
Conversion of preferred shares into common shares [Note 9]	(715)	(1)	-	-	288,756	1,198,914	(715,000)	-	-	483,913
Preferred stock purchased back via cash	(230)	-	-	-	-	-	(230,000)	-	-	(230,000)
Issuance of shares for services [Note 9]	-	-	131,522	132	(81,522)	(255,979)	398,348	-	-	142,501
Exercise of warrants for cash [Note 9]	-	-	42,500	43	11,792	12,500	26,608	-	-	39,151
Issuance of warrants for services [Note 9]	-	-	-	-	-	-	<b>371,763</b>	-	-	<b>371,763</b>
Stock based compensation - ESOP [Note 9]	-	-	-	-	-	-	100,650	-	-	100,650
Cashless exercise of warrants [Note 9]	-	-	361,190	361	-	-	-	-	-	361
Translation adjustment	-	-	-	-	-	-	-	(20,064)	-	(20,064)
Net loss before dividends for the period	-	-	-	-	-	-	-	-	(7,109,649)	(7,109,649)
Preferred stock dividends	-	-	-	-	-	-	-	-	(233,222)	(233,222)
<b>Balance, December 31, 2021 (unaudited)</b>	<b>7,201</b>	<b>8</b>	<b>49,656,860</b>	<b>49,657</b>	<b>1,233,329</b>	<b>4,086,361</b>	<b>85,874,483</b>	<b>(636,027)</b>	<b>(87,055,411)</b>	<b>2,319,071</b>

	Preferred stock		Common stock and exchangeable common shares		Shares to be Issued		Additional paid in capital	Accumulated other comprehensive (loss) income	Accumulated deficit	Total
	Shares	\$	Shares	\$	Shares	\$				
<b>Balance, September 30, 2020 (unaudited)</b>	<b>8,046</b>	<b>9</b>	<b>37,256,315</b>	<b>37,257</b>	<b>412,500</b>	<b>400,591</b>	<b>46,100,176</b>	<b>(1,036,850)</b>	<b>(52,914,180)</b>	<b>(7,412,997)</b>
Issuance of shares for services	-	-	540,000	540	(73,000)	(149,876)	519,916	-	-	370,580
Issuance of warrants for services	-	-	-	-	-	-	73,329	-	-	73,329
Stock based compensation - ESOP	-	-	-	-	-	-	13,781	-	-	13,781
Translation adjustment	-	-	-	-	-	-	-	366,790	-	366,790
Net loss before dividends for the period	-	-	-	-	-	-	-	-	(3,900,245)	(3,900,245)
Preferred stock dividends	-	-	-	-	-	-	-	-	(218,905)	(218,905)
<b>Balance, December 31, 2020 (unaudited)</b>	<b>8,046</b>	<b>9</b>	<b>37,796,315</b>	<b>37,797</b>	<b>339,500</b>	<b>250,715</b>	<b>46,707,202</b>	<b>(670,060)</b>	<b>(57,033,330)</b>	<b>(10,707,667)</b>

*See accompanying notes to unaudited condensed consolidated interim financial statements*

	Preferred stock		Common stock and exchangeable common shares		Shares to be Issued		Additional paid in capital	Accumulated other comprehensive (loss) income	Accumulated deficit	Total
	Shares	\$	Shares	\$	Shares	\$				
	Shares	\$	Shares	\$	Shares	\$				
<b>Balance, March 31, 2021</b>	<b>8,046</b>	<b>9</b>	<b>39,014,942</b>	<b>39,015</b>	<b>268,402</b>	<b>280,960</b>	<b>56,298,726</b>	<b>(634,186)</b>	<b>(62,817,688)</b>	<b>(6,833,164)</b>
Issuance of common shares for private placement [Note 9]	-	-	69,252	69	-	-	249,931	-	-	250,000
Issuance of preferred shares for private placement investors [Note 9]	100	-	-	-	-	-	100,000	-	-	100,000
Issuance of additional shares to convertible note holders [Note 9]	-	-	37,820	38	-	-	153,133	-	-	153,171
Issuance of shares from uplisting [Note 9]	-	-	5,382,331	5,382	-	-	14,540,423	-	-	14,545,805
Conversion of convertible notes into common shares [Note 9]	-	-	4,056,204	4,056	602,059	2,528,987	12,992,240	-	-	15,525,283
Conversion of preferred shares into common shares [Note 9]	(715)	(1)	-	-	288,756	1,198,914	(715,000)	-	-	483,913
Preferred stock purchased back via cash	(230)	-	-	-	-	-	(230,000)	-	-	(230,000)
Issuance of shares for services [Note 9]	-	-	313,188	313	-	-	966,779	-	-	967,092
Exercise of warrants for cash [Note 9]	-	-	336,753	337	73,112	77,500	441,127	-	-	518,964
Issuance of warrants for services [Note 9]	-	-	-	-	-	-	668,013	-	-	668,013
Derivative liabilities adjustment pursuant to issuance of preferred Shares [Note 8]	-	-	-	-	-	-	(17,084)	-	-	(17,084)
Stock based compensation - ESOP [Note 9]	-	-	-	-	-	-	426,280	-	-	426,280
Cashless exercise of warrants [Note 9]	-	-	446,370	446	1,000	-	(85)	-	-	361
Translation adjustment	-	-	-	-	-	-	-	(1,841)	-	(1,841)
Net loss before dividends for the period	-	-	-	-	-	-	-	-	(23,518,637)	(23,518,637)
Preferred stock dividends	-	-	-	-	-	-	-	-	(719,086)	(719,086)
<b>Balance, December 31, 2021 (unaudited)</b>	<b>7,201</b>	<b>8</b>	<b>49,656,860</b>	<b>49,657</b>	<b>1,233,329</b>	<b>4,086,361</b>	<b>85,874,483</b>	<b>(636,027)</b>	<b>(87,055,411)</b>	<b>2,319,071</b>

	Preferred stock		Common stock and exchangeable common shares		Shares to be Issued		Additional paid in capital	Accumulated other comprehensive (loss) income	Accumulated deficit	Total
	Shares	\$	Shares	\$	Shares	\$				
	Shares	\$	Shares	\$	Shares	\$				
<b>Balance, March 31, 2020</b>	<b>7,831</b>	<b>8</b>	<b>36,381,815</b>	<b>36,382</b>	<b>178,750</b>	<b>169,490</b>	<b>44,015,397</b>	<b>(857,307)</b>	<b>(46,364,362)</b>	<b>(3,000,393)</b>
Issuance of preferred shares for private placement	215	1	-	-	-	-	215,000	-	-	215,001
Derivative liabilities adjustment pursuant to issuance of preferred stock	-	-	-	-	-	-	(41,749)	-	-	(41,749)
Issuance of shares for services	-	-	1,414,500	1,415	63,250	13,284	1,862,857	-	-	1,877,556
Exercise of warrants for cash	-	-	-	-	97,500	67,941	-	-	-	67,941
Issuance of warrants for services	-	-	-	-	-	-	173,523	-	-	173,523
Stock based compensation - ESOP	-	-	-	-	-	-	482,175	-	-	482,175
Translation adjustment	-	-	-	-	-	-	-	187,247	-	187,247
Net loss before dividends for the period	-	-	-	-	-	-	-	-	(10,019,632)	(10,019,632)
Preferred stock dividends	-	-	-	-	-	-	-	-	(649,336)	(649,336)
<b>Balance, December 31, 2020 (unaudited)</b>	<b>8,046</b>	<b>9</b>	<b>37,796,315</b>	<b>37,797</b>	<b>339,500</b>	<b>250,715</b>	<b>46,707,202</b>	<b>(670,060)</b>	<b>(57,033,330)</b>	<b>(10,707,667)</b>

See accompanying notes to unaudited condensed consolidated interim financial statements

**BIOTRICITY INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED DECEMBER 31, 2021 AND 2020 (UNAUDITED)**  
**(Expressed in US Dollars)**

	<b>Nine Months Ended December 31, 2021</b>	<b>Nine Months Ended December 31, 2020</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	(23,518,637)	(10,019,631)
<i>Adjustments to reconcile net loss to net cash used in operations</i>		
Stock based compensation	426,280	482,175
Issuance of shares for services	967,092	1,877,556
Issuance of warrants for services	469,300	173,523
Accretion and amortization expenses	8,834,728	722,795
Change in fair value of derivative liabilities	676,182	(783,193)
Loss on debt and preferred stock conversion, net	1,116,339	-
Property, plant and equipment depreciation	819	-
<i>Changes in operating assets and liabilities:</i>		
Accounts receivable, net	(420,592)	(944,097)
Inventory	(87,341)	(9,128)
Deposits and other receivables	(176,958)	44,075
Accounts payable and accrued liabilities	1,304,505	954,741
<b>Net cash used in operating activities</b>	<b>(10,408,283)</b>	<b>(7,501,184)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
property, plant and equipment	(29,766)	-
<b>Net cash used in investing activities</b>	<b>(29,766)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of common shares, net	250,000	-
Issuance of preferred shares, net	100,000	215,000
Redemption of preferred shares	(230,000)	-
Exercise of warrants for cash	518,964	67,941
Federally guaranteed loans	499,900	1,570,900
Proceeds from (repayment to) convertible notes, net	(1,660,220)	404,895
Proceeds from (repayment to) convertible debentures, net	-	7,929,404
Issuance of shares from uplisting	14,545,805	-
Proceeds pursuant to term loan, net	11,756,563	-
Preferred Stock Dividend	(767,962)	(570,920)
<b>Net cash provided by financing activities</b>	<b>25,013,050</b>	<b>9,617,220</b>
Effect of foreign currency translation	13,783	258,305
Net increase in cash during the period	14,575,001	2,116,037
Cash, beginning of period	2,201,562	949,848
<b>Cash, end of period</b>	<b>16,790,346</b>	<b>3,324,190</b>

*See accompanying notes to unaudited condensed consolidated interim financial statements*



**BIOTRICITY INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 (Unaudited)**  
(Expressed in US dollars)

**1. NATURE OF OPERATIONS**

Biotricity Inc. (formerly MetaSolutions, Inc.) (the “Company”) was incorporated under the laws of the State of Nevada on August 29, 2012. iMedical Innovations Inc. (“iMedical”) was incorporated on July 3, 2014 under the laws of the Province of Ontario, Canada and became a wholly-owned subsidiary of Biotricity through reverse take-over on February 2, 2016.

Both the Company and iMedical are engaged in research and development activities within the remote monitoring segment of preventative care. They are focused on a realizable healthcare business model that has an existing market and commercialization pathway. As such, its efforts to date have been devoted to building and commercializing an ecosystem of technologies that enable access to this market.

**2. BASIS OF PRESENTATION, MEASUREMENT AND CONSOLIDATION**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“US GAAP”) for interim financial information and the Securities and Exchange Commission (“SEC”) instructions to Form 10-Q and Article 8 of SEC Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements and should be read in conjunction with Biotricity’s audited consolidated financial statements for the years ended March 31, 2021 and 2020 and their accompanying notes.

The accompanying unaudited condensed consolidated financial statements are expressed in United States dollars (“USD”). In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of financial position and results of operations for the interim periods presented have been reflected herein. Operating results for the interim periods presented herein are not necessarily indicative of the results that may be expected for the year ending March 31, 2022. The Company’s fiscal year-end is March 31.

The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Significant intercompany accounts and transactions have been eliminated.

Certain prior year amounts have been reclassified to conform to the current year’s presentation.

**Liquidity and Basis of Presentation**

The Company commenced commercializing its first product. It is concurrently in development mode, operating a research and development program in order to develop an ecosystem of medical technologies, and, where required or deemed advisable, obtain regulatory approvals for, and commercialize other proposed products. The Company launched its first commercial sales program as part of a limited market release, during the year ended March 31, 2019, using an experienced professional in-house sales team. A full market release ensued during the year ended March 31, 2020. Management anticipates the Company will continue on its revenue growth trajectory and improve its liquidity through continued business development and after additional equity or debt capitalization of the Company. The Company has incurred recurring losses from operations, and as at December 31, 2021, has an accumulated deficit of \$87,055,411 (March 31, 2021 - \$62,817,688). On August 30, 2021, the Company completed an underwritten public offering of its common stock that concurrently facilitated its listing on the Nasdaq Capital Market. On December 31, 2021, the Company has a working capital surplus of \$14,781,021 (March 31, 2021 – working capital deficiency of \$6,168,700). Prior to listing on the Nasdaq Capital Market, the Company had also filed a shelf Registration Statement on Form S-3 (No. 333-255544) with the Securities and Exchange Commission on April 27, 2021, which was declared effective on May 4, 2021. This facilitates better transactional preparedness when the Company seeks to issue equity or debt to potential investors, since it continues to allow the Company to offer its shares to investors only by means of a prospectus, including a prospectus supplement, which forms part of an effective registration statement. As such, the Company has developed and continues to pursue sources of funding that management believes will be sufficient to support the Company’s operating plan and alleviate any substantial doubt as to its ability to meet its obligations at least for a period of one year from the date of these consolidated financial statements. During the fiscal year ended March 31, 2021, the Company closed a number of private placements offering of convertible notes, which have raised net cash proceeds of \$11,375,690 (with total face value of \$12,525,500). As of December 31, 2021, \$11,048,000 of convertible notes issued during last fiscal year was converted into common shares. During fiscal quarter ended June 30, 2021, the Company raised an additional \$499,900 through government EIDL loan, and \$250,000 through short term loans. During the fiscal quarter ended September 30, 2021, the Company raised total net proceeds of \$14,545,805 through the underwritten public offering that was concurrent with its listing onto the Nasdaq Capital Markets. During the fiscal quarter ended December 31, 2021, the Company raised additional net proceeds of \$11,756,563 through a term loan transaction (Note 6) and made repayment of the previously issued promissory notes (Note 5 (a)) and short-term loan (Note 5 (a)).

The Company's operating plan is predicated on a variety of assumptions including, but not limited to, the level of product demand, cost estimates, its ability to continue to raise additional financing and the state of the general economic environment in which the Company operates. There can be no assurance that these assumptions will prove to be accurate in all material respects, or that the Company will be able to successfully execute its operating plan. In the absence of additional appropriate financing, the Company may have to modify its operating plan or slow down the pace of development and commercialization of its proposed products. No assurance can be given that any future financing will be available or, if available, that it will be on terms that are satisfactory to the Company. Even if the Company is able to obtain additional financing, it may contain restrictions on our operations, in the case of debt financing or cause substantial dilution for our stockholders, in case of equity financing.

Due to the disruption of the COVID-19 crisis, the Company's business activities might be subject to certain levels of adverse impact; to the date of the issuance of these condensed consolidated financial statements, the Company continues to assess the respective impact on its business, results of operations, financial position and cash flows, and will adjust its financial records, as required, when reliable estimates become available.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### *Use of Estimates*

The preparation of the consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Areas involving significant estimates and assumptions include: deferred income tax assets and related valuation allowance, accruals and valuation of derivatives, convertible promissory notes, stock options, and assumptions used in the going concern assessment. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

#### *Earnings (Loss) Per Share*

The Company has adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 260-10 which provides for calculation of "basic" and "diluted" earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income or loss available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity. Diluted earnings per share exclude all potentially dilutive shares if their effect is anti-dilutive. There were no potentially dilutive shares outstanding as at December 31, 2021 and 2020.

#### *Fair Value of Financial Instruments*

ASC 820 defines fair value, establishes a framework for measuring fair value and expands required disclosure about fair value measurements of assets and liabilities. ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820-10 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation based on quoted market prices for similar assets and liabilities in active markets.
- Level 3 – Valuation based on unobservable inputs that are supported by little or no market activity, therefore requiring management's best estimate of what market participants would use as fair value.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values due to the short-term nature of these instruments or interest rates that are comparable to market rates. These financial instruments include cash, accounts receivable, deposits and other receivables, convertible promissory notes, and accounts payable and accrued liabilities. The Company's cash and derivative liabilities, which are carried at fair values, are classified as a Level 1 and Level 3, respectively. The Company's bank accounts are maintained with financial institutions of reputable credit, therefore, bear minimal credit risk.

### Leases

The Company is the lessee in a lease contract when the Company obtains the right to use the asset. Operating leases are included in the line items right-of-use asset, lease liability, current, and lease liability, long-term in the consolidated balance sheet.

Right-of-use (“ROU”) asset represents the Company’s right to use an underlying asset for the lease term and lease obligations represent the Company’s obligations to make lease payments arising from the lease, both of which are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. Leases with a lease term of 12 months or less at inception are not recorded on the consolidated balance sheet and are expensed on a straight-line basis over the lease term in our consolidated statement of income. The Company determines the lease term by agreement with lessor. As our lease do not provide an implicit interest rate, the Company uses the Company’s incremental borrowing rate based on the information available at commencement date in determining the present value of future payments.

### Government loan

Loans that were received from the federal government, which contain certain operating conditions and with terms of over twelve months, are recorded by the Company as long-term liabilities.

### Convertible Promissory Notes Payable and Derivative Instruments

The Company has adopted the provisions of ASU 2017-11 to account for the down round features of warrants issued with private placements effective as of April 1, 2017. In doing so, warrants with a down round feature previously treated as derivative liabilities in the consolidated balance sheet and measured at fair value are henceforth treated as equity, with no adjustment for changes in fair value at each reporting period. Previously, the Company accounted for conversion options embedded in convertible notes in accordance with ASC 815. ASC 815 generally requires companies to bifurcate conversion options embedded in convertible notes from their host instruments and to account for them as free-standing derivative financial instruments. ASC 815 provides for an exception to this rule when convertible notes, as host instruments, are deemed to be conventional, as defined by ASC 815-40. The Company accounts for convertible notes deemed conventional and conversion options embedded in non-conventional convertible notes which qualify as equity under ASC 815, in accordance with the provisions of ASC 470-20, which provides guidance on accounting for convertible securities with beneficial conversion features. Accordingly, the Company records, as a discount to convertible notes, the intrinsic value of such conversion options based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt.

### Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments - Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments.” This pronouncement, along with subsequent ASUs issued to clarify provisions of ASU 2016-13, changes the impairment model for most financial assets and will require the use of an “expected loss” model for instruments measured at amortized cost. Under this model, entities will be required to estimate the lifetime expected credit loss on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. In developing the estimate for lifetime expected credit loss, entities must incorporate historical experience, current conditions, and reasonable and supportable forecasts. This pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019. On November 19, 2019, the FASB issued ASU No. 2019-10, Financial Instruments—Credit Losses (Topic 326), finalized various effective date delays for private companies, not-for-profit organizations, and certain smaller reporting companies applying the credit losses (CECL), the revised effective date is January 1, 2023.

In July 2019, the FASB issued ASU 2019-07, Codification Updates to SEC Sections. This ASU amends various SEC paragraphs pursuant to the issuance of SEC Final Rule Releases No. 33-10532, Disclosure Update and Simplification, and Nos. 33-10231 and 33-10442, Investment Company Reporting Modernization. One of the changes in the ASU requires a presentation of changes in stockholders' equity in the form of a reconciliation, either as a separate financial statement or in the notes to the financial statements, for the current and comparative year-to-date interim periods. The Company presented changes in stockholders' equity as separate financial statements for the current and comparative year-to-date interim periods beginning on April 1, 2019. The additional elements of the ASU did not have a material impact on the Company's consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, Simplifying the Accounting for Income Taxes ("ASU 2019-12"), which simplifies the accounting for income taxes, eliminates certain exceptions within ASC 740, Income Taxes, and clarifies certain aspects of the current guidance to promote consistency among reporting entities. ASU 2019-12 is effective for fiscal years beginning after December 15, 2021. Most amendments within the standard are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. The Company is currently evaluating the impacts of the provisions of ASU 2019-12 on its financial condition, results of operations, and cash flows.

In March 2020, the FASB issued ASU No. 2030-20 Codification Improvements to Financial Instruments, An Amendment of the FASB Accounting Standards Codification: a) in ASU No. 2016-01, b) in Subtopic 820-10, c) for depository and lending institutions clarification in disclosure requirements, d) in Subtopic 470-50, e) in Subtopic 820-10, f) Interaction of Topic 842 and Topic 326, g) Interaction of the guidance in Topic 326 and Subtopic 860-20. The amendments in this Update represent changes to clarify or improve the Codification. The amendments make the Codification easier to understand and easier to apply by eliminating inconsistencies and providing clarifications. For public business entities updates under the following paragraphs: a), b), d) and e) are effective upon issuance of this final update. The effective date for c) is for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company does not expect that the new guidance will significantly impact its consolidated financial statements.

In May 2021, the FASB issued ASU 2021-04, Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options. This update provides guidance for a modification or an exchange of a freestanding equity-classified written call option that is not within the scope of another Topic. This update is effective for fiscal years beginning after December 15, 2021. The Company is currently evaluating the effect of this ASU on the Company's condensed consolidated financial statements and related disclosures.

The Company continues to evaluate the impact of the new accounting pronouncement, including enhanced disclosure requirements, on our business processes, controls and systems.

#### 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at December 31, 2021 \$	As at March 31, 2021 \$
Accounts payable	1,429,254	1,041,385
Accrued liabilities	1,487,718	1,478,739
Accounts payable and accrued liabilities	<u>2,916,973</u>	<u>2,520,124</u>

Accounts payable as at December 31, 2021 included \$1,127 current account with a shareholder and executive (March 31, 2021: \$182,995 due to shareholder and executive) of the Company, primarily as a result of that individual's role as an employee. These amounts are unsecured, non-interest bearing and payable on demand.

## 5. CONVERTIBLE PROMISSORY NOTES AND SHORT TERM LOANS

- a) The Company has issued various promissory notes and obtained several short term loans. The promissory notes and short-term loans are generally for a 1-year term at interest rates of between 10% and 12%, with allowance for the Company to repay early, and the possibility to convert into equity on the basis of mutual consent. Warrants to purchase the Company's shares of common stock were granted pursuant to the issuance of certain promissory notes. Management has evaluated the terms of these notes issued in accordance with the guidance provided by ASC 470 and ASC 815 and concluded that there is no derivative or beneficial conversion feature attached to these notes.

During the year ended March 31, 2021, the Company raised additional \$500,000 in promissory notes that were subject to the same terms of the notes previously issued. During the year ended March 31, 2021, the Company made repayment of the notes and short term loan in the amount of \$908,082, and one noteholder further paid the Company \$67,941 to exercise warrants related to 97,500 shares of the Company's common stock. During the year ended March 31, 2021, one noteholder converted a \$100,000 note and \$15,000 accrued interest into 115 Series A preferred shares.

During the three months ended June 30, 2021, the Company raised additional \$250,000 in short-term loans; this was repaid during the three months ended September 30, 2021. Similarly, during the three months ended September 30, 2021, while awaiting to complete the financing transaction that was part of the Company's path towards achieving its listing onto the Nasdaq Capital Market, it drew on interim short-term financing of \$576,000, which was fully repaid during that same period.

During the three months ended December 31, 2021, the Company repaid its remaining promissory note and short term loan outstanding as well as relevant accrued interest, as part of the term loan transaction (Note 6).

As at December 31, 2021, the Company had promissory note outstanding of Nil (March 31, 2021 – \$600,577).

As at December 31, 2021, the Company also had short term loan of Nil (March 31, 2021 – \$1,059,643) outstanding.

General and administrative expenses included financing charges and interest expense on the above notes of \$41,479 and \$267,959 for the three and nine months ended December 31, 2021 (December 31, 2020, \$109,699 and 39,667) respectively.

- (b) During the year ended March 31, 2021, the Company issued \$11,275,500 (face value) in two series of convertible promissory notes (the "Series A Notes") sold under subscription agreements to accredited investors. The Notes mature one year from the final closing date of the offering and accrue interest at 12% per annum.

For first series of Series A Notes, commencing six months following the Issuance Date, and at any time thereafter (provided the Holder has not received notice of the Company's intent to prepay the note), at the sole election of the Holder, any amount of the outstanding principal and accrued interest of this note (the "Outstanding Balance") could be converted into that number of shares of Common Stock equal to: (i) the Outstanding Balance divided by (ii) 75% of the volume weighted average price of the Common Stock for the 5 trading days prior to the Conversion Date (the conversion price).

For the first series of Series A Notes, the notes would automatically convert into common stock (in each case, subject to the trading volume of the Company's common stock being a minimum of \$500,000 for each trading day in the 20 consecutive trading days immediately preceding the conversion date), upon the earlier to occur of (i) the Company's common stock being listed on a national securities exchange, in which event the conversion price would be equal to 75% of the volume weighted average price of the common stock for the 20 trading days prior to the conversion date, or (ii) upon the closing of the Company's next equity round of financing for gross proceeds of greater than \$5,000,000, in which event the conversion price would be equal to 75% of the price per share of the common stock (or of the conversion price in the event of the sale of securities convertible into common stock) sold in such financing. The Company could, at its discretion redeem the notes for 115% of their face value plus accrued interest.

For second series of Series A Notes, the notes could be converted into shares of common stock, at the option of the holder, commencing six months from issuance, at a conversion price equal to the lower of \$4.00 per share or 75% of the volume weighted average price of the common stock for the five trading days prior to the conversion date

For the second series of Series A Notes, the notes would automatically convert into common stock (in each case, subject to the trading volume of the Company's common stock being a minimum of \$500,000 for each trading day in the 20 consecutive trading days immediately preceding the conversion date), upon the earlier to occur of (i) the Company's common stock being listed on a national securities exchange, in which event the conversion price would be equal to the lower of \$4.00 per share or 75% of the volume weighted average price of the common stock for the 20 trading days prior to the conversion date, or (ii) upon the closing of the Company's next equity round of financing for gross proceeds of greater than \$5,000,000, in which event the conversion price would be equal to the lower of \$4.00 per share or 75% of the price per share of the common stock (or of the conversion price in the event of the sale of securities convertible into common stock) sold in such financing. The Company could, at its discretion redeem the notes for 115% of their face value plus accrued interest.

The Company was obligated to issue warrants that accompany the convertible notes and provide 50% warrant coverage. The warrants have a 3-year term from date of issuance and an exercise price that is 120% of the 20-day volume weighted average price of the Company's common shares at the time final closing.

The Company was obligated to pay the placement agent of the first series of Series A Notes a 12% cash fee for \$8,925,550 (face value) of the notes and 2.5% cash fee and other sundry expenses for the remaining \$2,350,000 (face value) of the notes.

Net proceeds to the Company from Series A Notes issuance up to March 31, 2021 amounted to \$10,135,690 after payment of the relevant financing related fees.

The Company was also obligated to issue warrants to the placement agent that have a 10-year term and cover 12% of funds raised for \$8,925,550 (face value) of the notes (first series) and 2.5% of funds raised for the remaining \$2,350,000 (face value) of notes (second series), with an exercise price that is 120% of the 20-day volume weighted average price of the Company's common shares at the time final closing. On final closing, which occurred on January 8, 2021, the warrants' exercise price was struck at \$1.06 per share.

Prior to January 8, 2021 (final closing date), the Company determined that the conversion and redemption features, investor warrants and placement agent warrants contained in those Notes represented a single compound derivative liability that meets the requirements for liability classification under ASC 815. The Company accounted for these obligations by determining the fair value of the related derivative liabilities associated with the embedded conversion and redemption features, as well as investor warrants and placement agent warrants. The initial fair value of the derivative liabilities generated as a result of issuing the Series A Notes was \$6,932,194 (Note 8).

Subsequently, the exercise price of all warrants was concluded and locked to \$1.06 as of January 8, 2021. Since the exercise price was no longer a variable, the Company concluded that the noteholder and placement agent warrants should no longer be accounted for as a derivative liability in accordance with ASC 815 guidelines related to equity indexation and classification. The derivative liabilities related to those warrants were therefore marked to market as of January 8, 2021 and then transferred to equity (collectively, "End of warrants derivative treatment") (Note 8 and Note 9).

For the Series A Notes, The Company recognized debt issuance costs in the amount of \$2,301,854 and treated these as a deduction from the convertible note liabilities directly, as a contra-liability, and amortized the debt issuance cost over the term of the Notes. The Company also recognized initial debt discount in the amount of \$8,088,003 and accreted the interest over the remaining lives of those Notes.

At December 31, 2021, the Company recorded \$88,044 of interest accruals for the Series A Notes. In connection with the foregoing, the Company relied upon the exemption from registration provided by Section 4(a)(2) under the Securities Act of 1933, as amended, for transactions not involving a public offering.

During the year ended March 31, 2021, \$739,000 (face value) of Series A Notes together with their respective unpaid interest were converted into 751,487 common shares, out of which 18,402 common shares were issued subsequent to year end.

During the three months ended June 30, 2021, \$1,157,500 (face value) of Series A Notes together with their respective unpaid interests were converted into 528,878 common shares, out of which 345,676 common shares were issued subsequent to June 30, 2021 (Note 9 c).

During the three months ended September 30, 2021, \$8,679,000 (face value) of Series A Notes together with their respective unpaid interests were converted into 3,085,399 common shares, out of which 908,197 were common shares that would be issued subsequent to September 30, 2021 (Note 9 c).

There was no conversion of Series A Notes during the three months ended December 31, 2021.

In addition, during the year ended March 31, 2021, the Company also issued \$1,312,500 (face value) of convertible promissory notes (“Series B Notes”) to various accredited investors.

Commencing six months following the issuance date, and at any time thereafter, subject to the Company’s Conversion Buyout clause, at the sole election of the holder, any amount of the outstanding principal and accrued interest of the note (the “outstanding balance”) could be converted into that number of shares of Common Stock equal to: (i) the outstanding balance divided by (ii) the Conversion Price. Partial conversions of the note shall have the effect of lowering the outstanding principal amount of the note. The holder may exercise such conversion right by providing written notice to the Company of such exercise in a form reasonably acceptable to the Company (a “conversion notice”). Conversion price means (subject in all cases to proportionate adjustment for stock splits, stock dividends, and similar transactions), seventy-five percent (75%) multiplied by the average of the three (3) lowest closing prices during the previous ten (10) trading days prior to the receipt of the conversion notice.

The Series B Notes will automatically convert into common stock upon a merger, consolidation, exchange of shares, recapitalization, reorganization, as a result of which the Company’s common stock shall be changed into another class or classes of stock of the Company or another entity, or in the case of the sale of all or substantially all of the assets of the Company other than a complete liquidation of the Company. Within the first 180 days after the issuance date, the Company may, at its discretion redeem the notes for 115% of their face value plus accrued interest. The Company is obligated to issue warrants that accompany the convertible notes and provide 50% warrant coverage. The warrants have a 3-year term from date of issuance and an exercise price that is \$1.06 per share for 100,000 warrant shares and \$1.5 per share for 212,500 warrant shares.

Net proceeds to the Company from convertible note issuances to March 31, 2021 amounted to \$1,240,000 after the original issuance discount as well as payment of the financing related fees. The Company determined that the conversion and redemption features contained in the Series B Notes represented a single compound derivative liability that meets the requirements for liability classification under ASC 815. The Company accounted for these obligations by determining the fair value of the related derivative liability associated with the embedded conversion and redemption features. The initial fair value of the derivative liabilities generated as a result of issuing the Series B Notes was \$497,042 (Note 8).

The Company recognized debt issuance costs in the amount of \$10,000 and treated these as a deduction from the convertible note liabilities directly, as a contra-liability, and amortized the debt issuance cost over the term of the Series B Notes. The Company recognized initial debt discount in the amount of \$1,312,500 and accreted the interest over the remaining lives of those notes.

At December 31, 2021, the Company recorded \$53,723 of interest accruals for the Series B Notes. In connection with the foregoing, the Company relied upon the exemption from registration provided by Section 4(a)(2) under the Securities Act of 1933, as amended, for transactions not involving a public offering.

During the three months ended December 31, 2021, \$472,500 (face value) of Series B Notes were converted into 207,516 common shares (Note 9 c).

	<b>Total \$</b>
<b><i>Year ended March 31, 2021</i></b>	
Face value of convertible notes issued	12,588,000
Debt discount	(9,400,503)
Debt issuance cost	(2,311,854)
Day 1 value of convertible notes issued	875,643
Accretion of debt discount	1,802,807
Amortization of debt issuance cost	678,348
Total accretion and amortization expenses	2,481,155
Conversion to common shares (Note 9)	(739,000)
<b><i>Balance at March 31, 2021</i></b>	<b>2,617,798</b>
<b><i>Three months ended June 30, 2021</i></b>	
Accretion of debt discount	1,833,967
Amortization of debt issuance cost	501,200
Total accretion and amortization expenses	2,335,167
Conversion to common shares (Note 9)	(1,157,500)
<b><i>Balance at June 30, 2021</i></b>	<b>3,795,465</b>
<b><i>Three months ended September 30, 2021</i></b>	
Accretion of debt discount	4,627,415
Amortization of debt issuance cost	537,304
Total accretion and amortization expenses	5,164,719
Conversion to common shares (Note 9)	(8,679,000)
<b><i>Balance at September 30, 2021</i></b>	<b>281,184</b>
<b><i>Three months ended December 31, 2021</i></b>	
Accretion of debt discount	782,726
Amortization of debt issuance cost	546,604
Total accretion and amortization expenses	1,329,330
Conversion to common shares (Note 9)	(472,500)
<b><i>Balance at December 31, 2021</i></b>	<b>1,138,014</b>



General and administrative expenses include interest expense on the above debt instruments of \$36,312 and \$515,810 for the three and nine months ended December 31, 2021 (December 31, 2020: \$76,282, \$160,958), respectively.

## **6. TERM LOAN**

On December 21, 2021, the Company entered into a Credit Agreement (“Credit Agreement”) with SWK Funding LLC (“Lender”), wherein the Company has borrowed \$12,000,000, with a maturity date of December 21, 2026. The principal will accrue interest at the LIBOR Rate plus 10.5% (subject to adjustment as set forth in the Credit Agreement). Interest payments are due on each February, May, August and November commencing February 15, 2022. Pursuant to the Credit Agreement, the Company will be required to make interest only payments for the first 24 months (which may be extended to 36 months under prescribed circumstances), after which payments will include principal amortization that accommodates a 40% balloon principal payment at maturity. Prepayment of amounts owing under the Credit Agreement are allowed under prescribed circumstances. Pursuant to the Credit Agreement the Company is subject to an Origination Fee in the amount of \$120,000. Upon Termination of the Credit Agreement, the Company shall pay an Exit Fee of \$600,000.

The Company and Lender also entered into a Guarantee and Collateral Agreement (“Collateral Agreement”) wherein the Company agreed to secure the Credit Agreement with all of the Company’s assets. The Company and Lender also entered into an Intellectual Property Security Agreement dated December 21, 2021 (the “IP Security Agreement”) wherein the Credit Agreement is also secured by the Company’s right title and interest in the Company’s Intellectual Property.

In connection with the Credit Agreement, the Company issued 57,536 warrants to the lender, which was fair-valued at \$198,713 (Note 9). The warrants are accounted as a deduction from liability as well as a credit into additional paid-in capital, and amortized using the effective interest method.

As part of the loan transaction, the Company paid legal and professional costs directly in connection to the debt financing in the amount of \$50,000 in cash.

Total costs directly in connection to the debt financing in the amount of \$193,437 (professional fee \$48,484; lender’s origination fee, due diligence fee, and other expenses in the amount of \$144,953) was deducted from the gross proceeds in the amount of \$12,000,000.

The Company also repaid \$1,574,068 of existing short-term loan and promissory notes and relevant accrued interests (Note 5(a)) by using the proceeds from the loan.

Total costs directly in connection to the loan and fair value of warrants was in the amount of \$1,042,149 . And such costs were accounted as debt discount, and amortized using the effective interest method. For three months ended December 31, 2021, the amortization of debt discount expense was in the amount of \$5,212 and included in the accretion and amortization expenses.

Total interest expense on the term loan for the 3 months ended December 31, 2021 was \$38,333.

## **7. FEDERALLY GUARANTEED LOANS**

### **Economic Injury Disaster Loan (“EIDL”)**

In April 2020, the Company received \$370,900 from the U.S. Small Business Administration (SBA) under the captioned program. The loan has a term of 30 years and an interest rate of 3.75%, without the requirement for payment in its first 12 months. The Company may prepay the loan without penalty at will.

In May 2021, the Company received an additional \$499,900 from the SBA under the same terms.

### **Payment Protection Program (“PPP”) Loan**

In May 2020, Biotricity received loan proceeds of \$1,200,000 (the “PPP Loan”) under the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”) administered by the U.S. Small Business Administration (“SBA”). The Company met the criteria for the loan forgiveness and applied for the loan forgiveness in March 2021. For the year ended March 31, 2021, the Company recognized the loan forgiveness as a reduction to payroll expense in the amount of \$1,156,453 and a reduction to the rent expense of \$43,547. The loan forgiveness was granted by the SBA in May 2021. As at December 31, 2021, the balance of outstanding PPP loan is NIL (March 31, 2021: NIL).

## 8. DERIVATIVE LIABILITIES

On December 19, 2019 and January 9, 2020, the Company issued 7,830 Series A preferred shares; 6,000 of these were issued for cash proceeds of \$6,000,000 and 1,830 of these were issued on conversion of \$1,830,000 of promissory notes that had previously been issued for cash proceeds in October 2019.

On May 22, 2020, another 215 Series A preferred shares were issued as a result of a combined transaction that included the conversion of \$100,000 in promissory notes (Note 5(a)) and \$15,000 (Note 5(a)) in accrued interest for 115 preferred shares, as well as a purchase of 100 preferred shares for cash proceeds of \$100,000.

During the three months ended September 30, 2021, an additional 100 Series A preferred shares were issued for cash proceeds of \$100,000 (Note 9 c).

During the three months ended December 31, 2021, the Company redeemed \$230,000 preferred shares through cash. In addition, the Company converted \$715,000 preferred shares into common shares. A gain upon preferred shares redemption in the amount of \$39,427 was recorded in other expenses.

The Company analyzed the compound features of variable conversion and redemption embedded in the preferred shares instrument, for potential derivative accounting treatment on the basis of ASC 820 (Fair Value in Financial Instruments), ASC 815 (Accounting for Derivative Instruments and Hedging Activities), Emerging Issues Task Force (“EITF”) Issue No. 00–19 and EITF 07–05, and determined that the embedded derivatives should be bundled and valued as a single, compound embedded derivative, bifurcated from the underlying equity instrument, treated as a derivative liability, and measured at fair value.

	<b>Total</b>
	<b>\$</b>
<b>Derivative liabilities as at March 31, 2020</b>	<u>1,144,733</u>
Derivative fair value at issuance during fiscal 2021	41,749
Change in fair value of derivatives	<u>(776,440)</u>
<b>Derivative liabilities as at March 31, 2021</b>	410,042
Change in fair value of derivatives during the period	<u>(203,525)</u>
<b>Derivative liabilities as at June 30, 2021</b>	206,517
Derivative fair value at issuance during three months ended September 30, 2021	17,084
Change in fair value of derivatives during the period	<u>(101,773)</u>
<b>Derivative liabilities as at September 30, 2021</b>	121,828
Reduction due to preferred shares redeemed / converted	(479,791)
Change in fair value of derivatives during the period	<u>644,774</u>
<b>Derivative liabilities as at December 31, 2021</b>	<u><u>286,811</u></u>

The lattice methodology was used to value the derivative components, using the following assumptions for the three months ended December 31, 2021:

	<u>Assumptions</u>
Dividend yield	12%
Risk-free rate for term	0.40% - 0.77%
Volatility	116.4% - 101.3%
Remaining terms (Years)	2.33 to 4.00
Stock price (\$ per share)	\$ 2.91 to \$4.33

In addition, the Company recorded derivative liabilities related to the conversion and redemption features of the convertible notes, as well as warrants that were issued in connection with the convertible notes, during the year ended March 31, 2021 (Note 5(b)). As the warrant exercise price became final and locked, the derivative liabilities related to those warrants were marked to market and transferred to equity (Note 5(b)). Any noteholder and placement agent warrants that were issued after the finalization of exercise price was accounted for as equity.

	<u>Total \$</u>
<b>For the year ended March 31, 2021</b>	
Derivative fair value at issuance	
Series A notes (Note 5(b))	6,932,194
Series B notes (Note 5(b))	497,042
	<u>7,429,236</u>
Fair value change upon end of warrants derivative treatment (Note 5(b))	(82,444)
Carrying amount of warrants liability transferred into equity upon end of warrants derivative treatment (Note 5(b))	(3,937,664)
Conversion to common shares (Note 5(b))	(225,284)
Change in fair value of derivative liabilities	450,012
<b>Balance at March 31, 2021</b>	<b>3,633,856</b>
<b>For the three months ended June 30, 2021</b>	
Conversion to common shares (Note 5(b))	(403,108)
Change in fair value of derivative liabilities	502,508
<b>Balance at June 30, 2021</b>	<b>3,733,256</b>
<b>For the three months ended September 30, 2021</b>	
Conversion to common shares (Note 5(b))	(2,744,711)
Change in fair value of derivative liabilities	(295,801)
<b>Balance at September 30, 2021</b>	<b>692,744</b>
<b>For the three months ended December 31, 2021</b>	
Conversion to common shares (Note 5(b))	(250,738)
Change in fair value of derivative liabilities	129,999
<b>Balance at December 31, 2021</b>	<b>572,005</b>

The monte-carlo methodology was used to value the convertible note and warrant derivative components, using the following assumptions for the three months ended December 31, 2021:

	<u>Conversion and redemption features</u>
Risk-free rate for term (%)	0.29 – 0.39
Volatility (%)	78.0 – 83.3
Remaining terms (Years)	0.02 – 0.29
Stock price (\$ per share)	3.98 – 4.53

## 9. STOCKHOLDERS' EQUITY (DEFICIENCY)

### a) Authorized stock

As at December 31, 2021, the Company is authorized to issue 125,000,000 (March 31, 2021 – 125,000,000) shares of common stock (\$0.001 par value) and 10,000,000 (March 31, 2021 – 10,000,000) shares of preferred stock (\$0.001 par value), 20,000 of which (March 31, 2021 – 20,000) are designated shares of Series A preferred stock (\$0.001 par value).

At December 31, 2021, common shares and shares directly exchangeable into equivalent common shares that were issued and outstanding totalled 49,656,860 (March 31, 2021 – 39,014,942); these were comprised of 48,190,142 (March 31, 2021 – 36,124,964) shares of common stock and 1,466,718 (March 31, 2021 – 2,889,978) exchangeable shares. There is currently one share of the Special Voting Preferred Stock issued and outstanding, held by one holder of record, which is the Trustee in accordance with the terms of the Trust Agreement. The Company has also issued a Series A preferred stock, \$0.001 par value; 20,000 shares have been designated as authorized (as at December 31 and March 31, 2021); 7,201 Series A preferred shares were issued and outstanding as at December 31, 2021 (March 31, 2021: 8,045).

### b) Exchange Agreement

On February 2, 2016, the Company was formed through reverse-take-over:

- The Company issued approximately 1.197 shares of its common stock in exchange for each common share of iMedical held by the iMedical shareholders who in general terms, are not residents of Canada (for the purposes of the Income Tax Act (Canada)). Accordingly, the Company issued 13,376,947 shares;
- Shareholders of iMedical who in general terms, are Canadian residents (for the purposes of the Income Tax Act (Canada)) received approximately 1.197 Exchangeable Shares in the capital of Exchangeco in exchange for each common share of iMedical held. Accordingly, the Company issued 9,123,031 Exchangeable Shares;
- Each outstanding option to purchase common shares in iMedical (whether vested or unvested) was exchanged, without any further action or consideration on the part of the holder of such option, for approximately 1.197 economically equivalent replacement options with an inverse adjustment to the exercise price of the replacement option to reflect the exchange ratio of approximately 1.197:1;
- Each outstanding warrant to purchase common shares in iMedical was adjusted, in accordance with the terms thereof, such that it entitles the holder to receive approximately 1.197 shares of the common stock of the Company for each warrant, with an inverse adjustment to the exercise price of the warrants to reflect the exchange ratio of approximately 1.197:1
- Each outstanding advisor warrant to purchase common shares in iMedical was adjusted, in accordance with the terms thereof, such that it entitles the holder to receive approximately 1.197 shares of the common stock of the Company for each advisor warrant, with an inverse adjustment to the exercise price of the Advisor Warrants to reflect the exchange ratio of approximately 1.197:1; and
- The outstanding 11% secured convertible promissory notes of iMedical were adjusted, in accordance with the adjustment provisions thereof, as and from closing, so as to permit the holders to convert (and in some circumstances permit the Company to force the conversion of) the convertible promissory notes into shares of the common stock of the Company at a 25% discount to purchase price per share in Biotricity's next offering.

Issuance of common stock, exchangeable shares and cancellation of shares in connection with the reverse takeover transaction as explained above represents recapitalization of capital retroactively adjusting the accounting acquirer's legal capital to reflect the legal capital of the accounting acquiree.

### c) Share issuances

#### ***Share issuances during the year ended March 31, 2021***

During the year ended March 31, 2021, the Company recorded preferred stock dividends for the Series A preferred stock in amount of \$962,148 (2020 - \$257,927) and made a payment in the amount of \$602,969 (2020 - \$180,000).

During the year ended March 31, 2021, the Company issued 733,085 common shares in connection with conversion of convertible notes (Note 5(b)) not including another 18,402 that were to be issued subsequent to year end. The total amounts of convertible notes settled was \$1,011,286 comprised of face value of convertible promissory notes in the amount of \$739,000 (Note 5(b), carrying amount of conversion and redemption feature derived from notes in the amount of \$225,284 and unpaid interest in the amount of \$47,002. The fair value of the shares issued and to be issued was determined based on the market price upon conversion and was in the amount of \$1,076,561 and \$38,460 respectively. The difference between amounts of notes settled and the fair value of common shares issued was \$103,735, which was recorded as a loss on conversion of convertible promissory notes in the statement of operations.

During the year ended March 31, 2021, the Company issued 1,900,042 common shares in payment of services provided, as well as the exercise of warrants.

During the year ended March 31, 2021, the Company also issued an aggregate of 898,084 shares of its common stock to investors as part of the one-for-one exchange of previously issued exchangeable shares into the Company's Common Stock, which is a non-cash transaction.

#### ***Share issuances during the nine months ended December 31, 2021***

During the three months ended June 30, 2021, the Company issued 183,202 common shares in connection with conversion of convertible notes (Note 5(b)), not including another 345,676 that were to be issued subsequent to June 30, 2021. The total amounts of convertible notes settled is in amount of \$1,642,049 comprised of face value of convertible promissory notes with a face value of \$1,157,500 (Note 5(b)), carrying amount of conversion and redemption feature derived from notes in amount of \$403,108 and unpaid interest in the amount of \$81,441. The fair value of the shares issued and to be issued was determined based on the market price upon conversion and was in the amount of \$479,760 and \$1,190,502 respectively. The difference, that represented a loss on conversion, between amounts of notes settled and the fair value of common shares issued was in the amount of \$28,213 and was recorded as other expenses in the condensed consolidated statement of operations.

During the three months ended June 30, 2021, the Company also issued an aggregate of 1,423,260 shares of its common stock to investors as part of the one-for-one exchange of previously issued exchangeable shares into the Company's Common Stock, which is a non-cash transaction.

During three months ended June 30, 2021, the Company issued 100,236 common shares in connection with warrant exercises for cash proceeds of \$146,250.

During the three months ended September 30, 2021, the Company issued 3,013,673 common shares in connection with conversion of convertible notes (Note 5(b)), and 908,197 shares to be issued subsequent to September 30, 2021. The total amount of debts settled was \$12,157,500, which consisted of face value of \$8,679,000 (Note 5(b)), carrying amount of the conversion and redemption feature derived from notes in the amount of \$2,744,711 and unpaid interest in the amount of \$733,789. The fair value of the shares issued and to be issued was determined based on the market price upon conversion and was in the amount of \$11,641,222 and \$1,338,485 respectively. The difference, between the amounts of notes settled and the fair value of common shares issued, which represents a loss on conversion, was in the amount of \$822,207 and was recorded as other expenses in the condensed consolidated statement of operations.

During the three months ended September 30, 2021, the Company issued 5,382,331 common shares in connection with the equity financing that was concurrent with its listing on the Nasdaq Capital Market, for total net cash proceeds of \$14,545,805.

During the three months ended September 30, 2021, the Company issued 181,666 common shares for services received, with a fair value of \$568,615.

During the three months ended September 30, 2021, The Company issued 69,252 common shares for cash proceeds of \$250,000, which were initially received as a promissory note, and paid through the issuance common shares within the same quarter.

During the three months ended September 30, 2021, the Company issued 279,197 (cash exercise – 194,017; cashless exercise – 85,180) common shares in connection with warrant exercises, for a cash exercise proceeds of \$308,564. In addition, the Company issued 633,412 common shares in connection with shares that were to be issued at previous quarter end.

During the three months ended September 30, 2021, an additional 100 Series A preferred shares were issued for cash proceeds of \$100,000 (Note 8). The fair value of the derivative at issuance date, in the amount of \$17,804, was recognized with a corresponding debit in stockholder's equity.

During the three months ended December 31, 2021, the Company issued 207,516 common shares in connection with conversion of convertible notes (Note 5(b)). The total value of debts settled was \$723,238 (Note 5(b)), which consisted of face value of \$472,500 and carrying amount of the conversion and redemption feature derived from notes in the amount of \$250,738. The fair value of the shares issued was determined based on the market price upon conversion and was in the amount of \$875,313. The difference, between the amounts of notes settled and the fair value of common shares issued, which represents a loss on conversion, was in the amount of \$152,075 and was recorded as other expenses in the condensed consolidated statement of operations.

During the three months ended December 31, 2021, the Company also issued 37,820 additional common shares to convertible note holders with respect to an adjustment of the conversion price on previously converted notes. Fair value of such shares was \$153,171 and was recorded as other expenses in the condensed consolidated statement of operations.

During the three months ended December 31, 2021, the Company issued 50,000 common shares for services received, with a fair value of \$142,500.

During the three months ended December 31, 2021, the Company issued 361,190 common shares for cash less warrant exercises, and 42,500 common shares for warrant exercises with cash proceeds of \$26,650.

**d) Shares to be issued**

During the three months ended December 31, 2021, the Company issued 81,522 of previously to be issued shares, in connection with its contractual obligations to issue shares for services received. As of December 31, 2021, 932,781 shares to be issued from previous periods remained outstanding. In addition, the Company recognized additional 11,792 shares to be issued for warrant exercise request received, as well as 288,756 shares to be issued in connection with preferred share conversion requests received, but not processed as of quarter end.

### e) Warrant issuances and exercises

During the year ended March 31, 2021, 97,500 warrants were exercised (2020 – nil) pursuant to receipt of exercise proceeds of \$67,941. (Note 5(a))

During the year ended March 31, 2021, the Company issued 449,583 warrants as compensation for advisor and consultant services which were fair valued. The vested portion of \$275,801 related to these warrants were recognized in general and administrative expenses, with a corresponding credit to additional paid in capital. As of December 31, 2020, the Company extended the expiry dates of 788,806 warrants previously issued to an executive of the Company, in order to extend their term from 3 to 10 years in accord with the same term extension made to the options of all other Company employees in fiscal 2020. As part of this revision in terms, 288,806 of these same warrants, previously issued and expensed, were repriced to reflect current market conditions; the resulting increase in the fair value of these warrants of \$464,971 was expensed to general and administrative expenses. In addition, the Company issued 1,065,857 warrants to brokers, and 5,631,132 warrants to convertible note holders, in connection with the convertible note issuance (Note 5(b)). The warrants' fair value has been estimated using a monte-carlo model (Note 9), which were initially recorded as derivative liabilities, then recorded as equity upon the end of derivative treatment of such warrants (Note 5(b) and Note 8).

During the three months ended June 30, 2021, the Company issued 60,000 warrants as compensation for advisor and consultant services, including 50,000 warrants issued to an executive of the Company. The warrants expenses were fair valued at \$151,897 and was recognized as general and administrative expenses, with a corresponding credit to additional paid-in capital.

During the three months ended June 30, 2021, 100,236 of warrants previously issued on convertible notes were exercised for cash of \$106,250, recognized as a credit to common stock and additional paid in capital accordingly.

During the three months ended June 30, 2021, one warrant holder provided cash of \$40,000 to exercise 37,736 warrants, such that 37,736 shares were to be issued as at June 30, 2021. Total shares to be issued for warrant exercise requests received but not processed was 24,584 as at September 30, 2021.

During the three months ended September 30, 2021, the Company issued 65,000 warrants as compensation for advisor and consultant services, including 50,000 warrants issued to an executive of the Company. The warrants were fair valued at \$144,353 and their respective value recognized in general and administrative expenses, with a corresponding credit to additional paid-in capital.

During the three months ended September 30, 2021, 194,017 of warrants previously issued on convertible notes were exercised for cash of \$308,564, recognized as a credit to common stock and additional paid in capital in amount of \$194 and \$308,370 respectively.

During the three months ended September 30, 2021, as a result of cashless exercise of warrants that were previously issued on convertible notes, 85,180 common shares were issued and 1,000 common shares were to be issued subsequent to September 30, 2021 to placement agents in settlement of placement agent warrants.

During the three months ended September 30, 2021, one warrant holder paid cash of \$25,000 to exercise 23,584 warrants, which led to 23,584 common shares to be issued as at September 30, 2021.

During the three months ended September 30, 2021, the Company issued 373,404 share purchase warrants to underwriter and accounted for this transaction under additional paid-in capital along with the uplisting transaction. The fair value of those warrants, in the amount of \$900,371, was determined by using Black Scholes model, based on the following key inputs and assumptions: expiry date August 26, 2026, exercise price \$3.75, rate of returns 0.77%, and volatility 111.9%.

During the three months ended December 31, 2021, as a result of cashless exercise of warrants that were previously issued on convertible notes, 361,190 common shares were issued to placement agents in settlement of placement agent warrants. In addition, 42,500 of warrants previously issued to external consultants were exercised for cash proceeds of \$26,650, which was recognized as a credit to common stock and additional paid in capital in amount of \$40 and \$26,608 respectively. 11,792 of warrants previously issued to convertible note holders were exercised for cash proceeds of \$12,500, which was recognized as shares to be issued.

During the three months ended December 31, 2021, the Company issued 50,000 warrants to an executive of the Company. The warrants were fair valued at \$173,050 and their respective value recognized in general and administrative expenses, with a corresponding credit to additional paid-in capital. The warrant fair value was determined by using the Black Scholes model, based on the following key inputs and assumptions: expiry date December 31, 2031, exercise price \$2.4, rate of return of Nil, and volatility 121.5%.

During the three months ended December 31, 2021, the Company issued 57,536 share purchase warrants to lenders in connection with the term loan. The fair value of those warrants, in the amount of \$198,713, was determined by using the Black Scholes model, based on the following key inputs and assumptions: expiry date December 21, 2028, exercise price \$6.26, rate of return 1.40%, and volatility 121.71%.

Warrant issuances, exercises and expirations or cancellations during the three months ended December 31, 2021 and preceding periods resulted in warrants outstanding at the end of those respective periods as follows:

	<u>Broker Warrants</u>	<u>Consultant Warrants</u>	<u>Warrants Issued on Conversion of Convertible Notes</u>	<u>Private Placement Warrants</u>	<u>Total</u>
As at March 31, 2020	321,314	2,049,837	2,734,530	1,163,722	6,269,403
Less:					
Expired/cancelled	(128,676)	(271,365)	(911,510)	(1,163,722)	(2,475,273)
Less: Exercised		(97,500)			(97,500)
Add: Issued	<u>1,065,857</u>	<u>449,583</u>	<u>5,631,132</u>	<u>-</u>	<u>7,146,572</u>
<b>As at March 31, 2021</b>	<b>1,258,495</b>	<b>2,130,555</b>	<b>7,454,152</b>	<b>-</b>	<b>10,843,202</b>
Less:					
Expired/cancelled	-	(93,750)	-	-	(93,750)
Less: Exercised	-	-	(137,972)	-	(137,972)
Add: Issued	<u>-</u>	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>60,000</u>
<b>As at June 30, 2021</b>	<b>1,258,495</b>	<b>2,096,805</b>	<b>7,316,180</b>	<b>-</b>	<b>10,671,480</b>
Less:					
Expired/cancelled	-	(229,583)	-	-	(229,583)
Less: Exercised	(153,560)	-	(193,097)	-	(346,657)
Add: Issued	<u>373,404</u>	<u>65,000</u>	<u>-</u>	<u>-</u>	<u>438,404</u>
<b>As at September 30, 2021</b>	<b>1,478,339</b>	<b>1,932,222</b>	<b>7,123,083</b>	<b>-</b>	<b>10,533,644</b>
Less:					
Expired/cancelled	(109,504)	(60,000)	-	-	(169,504)
Less: Exercised	(482,280)	(42,500)	(11,792)	-	(536,572)
Add: Issued	<u>57,536</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>As at December 31, 2021</b>	<b>917,541</b>	<b>1,879,722</b>	<b>7,111,291</b>	<b>-</b>	<b>9,908,554</b>
Exercise Price	1.06 to 6.26	0.48 to 3.50	1.06 to 2.00		
Expiration Date	July 2022 to January 2031	January 2022 to December 2031	May 2022 to February 2024		



**f) Stock-based compensation**

On February 2, 2016, the Board of Directors of the Company approved the Company's 2016 Equity Incentive Plan (the "Plan"). The purpose of the Plan is to advance the interests of the Company and its stockholders by providing an incentive to attract, retain and reward persons performing services for the Company and by motivating such persons to contribute to the growth and profitability of the Company. The Plan seeks to achieve this purpose by providing for awards in the form of options, stock appreciation rights, restricted stock purchase rights, restricted stock bonuses, restricted stock units, performance shares, performance units and other stock-based awards.

The Plan shall continue in effect until its termination by the board of directors or committee formed by the board; provided, however, that all awards shall be granted, if at all, on or before the day immediately preceding the tenth (10th) anniversary of the effective date. The maximum number of shares of stock that may be issued under the Plan shall be equal to 3,750,000 shares; provided that the maximum number of shares of stock that may be issued under the Plan pursuant to awards shall automatically and without any further Company or shareholder approval, increase on January 1 of each year for not more than 10 years from the effective date, so the number of shares that may be issued is an amount no greater than 20% of the Company's outstanding shares of stock and shares of stock underlying any outstanding exchangeable shares as of such January 1; provided further that no such increase shall be effective if it would violate any applicable law or stock exchange rule or regulation, or result in adverse tax consequences to the Company or any participant that would not otherwise result but for the increase.

Based on the 2016 Option Plan, the Company is authorized to issue employee options with a 10-year term. On March 31, 2020, the Company's Board of Directors approved the amendment of certain prior options grants, issued to current employees, previously issued with a 3-year term, such that the respective options issued under these agreements would have their term extended to 10 years. The Company revalued these options using a lattice model with an expected life of 10 years, risk free rates of 0.46% to 0.75%, stock price of \$0.974 and expected volatility of 132.2%, in order to recognize the additional expense associated with the longer term and recognized a one-time charge of \$1,600,515 in share-based compensation, with a corresponding adjustment to adjusted paid in capital.

During the year ended March 31, 2021, the Company granted 2,610,647 stock options with a weighted average remaining contractual life of 8.7 years. The Company recorded stock-based compensation of \$790,535 in connection with ESOP 2016 Plan under general and administrative expenses with corresponding credit to additional paid in capital.

During the three months ended June 30, 2021, the Company granted 170,532 of options with a weighted average remaining contractual life of 9.3 years. The Company recorded stock-based compensation of \$155,851 in connection with ESOP 2016 Plan (June 30, 2020 - \$232,519), under general and administrative expenses with corresponding credit to additional paid in capital.

During the three months ended September 30, 2021, the Company granted 174,426 of options with a weighted average remaining contractual life of 9.6 years. The Company recorded stock-based compensation of \$169,778 in connection with ESOP 2016 Plan (September 30, 2020 - \$229,647), under general and administrative expenses with corresponding credit to additional paid in capital.

During the three months ended December 31, 2021, the Company granted 35,798 of options with a weighted average remaining contractual life of 10 years, and a fair value of \$123,605. The Company recorded stock-based compensation of \$100,651 in connection with ESOP 2016 Plan (December 30, 2020 - \$13,871), under general and administrative expenses with corresponding credit to additional paid in capital.

The following table summarizes the stock option activities of the Company to December 31, 2021:

	Number of options	Weighted Average exercise price (\$)
Granted	4,147,498	3.2306
Exercised	-	-
<b>Outstanding as of March 31, 2018</b>	<b>4,147,498</b>	<b>3.2306</b>
Granted	270,521	1.8096
Exercised	-	-
<b>Outstanding as of March 31, 2019</b>	<b>4,418,019</b>	<b>3.1436</b>
Granted	88,100	0.7763
Expired	(112,509)	2.723
<b>Outstanding as of March 31, 2020</b>	<b>4,393,610</b>	<b>3.1069</b>
Granted	2,610,647	1.0072
Exercised	-	-
<b>Outstanding as of March 31, 2021</b>	<b>7,004,256</b>	<b>2.3268</b>
Granted	170,532	1.7931
Exercised	-	-
<b>Outstanding as of June 30, 2021</b>	<b>7,174,788</b>	<b>2.3141</b>
Granted	174,426	2.5579
Exercised	-	-
<b>Outstanding as of September 30, 2021</b>	<b>7,349,214</b>	<b>2.3199</b>
Granted	35,798	3.9800
Exercised	-	-
Expired	21,167	1.2432
Forfeited	107,900	1.3295
<b>Outstanding as of December 31, 2021</b>	<b>7,255,945</b>	<b>2.3459</b>

The fair value of each option granted is estimated at the time of grant using the Black Scholes model using the following assumptions, for each of the respective fiscal year:

	2022	2021	2020	2019
Exercise price (\$)	0.74 – 3.98	0.74-2.89	1.40-2.00	1.40-2.00
Risk free interest rate (%)	0.30 – 1.72	0.18 – 1.72	0.52-2.81	2.27-2.81
Expected term (Years)	2.0 – 10.0	2.0 – 10.0	2.0-3.0	2.0-3.0
Expected volatility (%)	106.6 – 129.9	106.8 – 129.9	97.8-141.1	97.8-141.1
Expected dividend yield (%)	0.00	0.00	0.00	0.00
Fair value of option (\$)	0.59 – 3.52	0.72 - 1.72	0.76	0.588
Expected forfeiture (attrition) rate (%)	0.00	0.00	0.00	0.00

## 10. LEASE

The Company has one operating lease primarily for office and administration.

As of December 1, 2021, the Company entered into a new lease agreement. The discount rate applied was 12% that represented the Company's incremental borrowing rate.

	\$
Operating lease right-of-use asset - initial recognition	1,394,197
Amortization	(23,237)
Balance at December 31, 2021	<u>1,370,960</u>
Operating lease obligation - initial recognition	1,394,197
Repayment and interest accretion	(15,738)
Balance at December 31, 2021	<u>1,378,459</u>
Current portion of operating lease obligation	201,852
Noncurrent portion of operating lease obligation	1,176,606

The operating lease expense was \$119,465 and \$255,020 for the three and nine months ended December 31, 2021, and was included in the general and administrative expenses.

## 11. CONTINGENCIES

There are no unrecognized claims against the Company that were assessed as significant, which were outstanding as at December 31, 2021 and, consequently, no additional provision for such has been recognized in the consolidated financial statements during the three and nine months then ended.

## 12. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events up to February 14, 2022, the date the condensed consolidated financial statements were issued, pursuant to the requirements of ASC 855, and has determined the following material subsequent events:

During the period from January 1 to February 14, 2022, the Company issued 138,500 shares of common stock to as equity-based compensation to an advisor and 248,490 shares of common stock in connection with warrant exercises for cash proceeds of \$354,980. In addition, the company issued 1,233,190 out of the total to be issued shares obligation it had as of December 31, 2021.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

### *Cautionary Note Regarding Forward-Looking Statements*

*Except for historical information contained herein, this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contains forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. These forward-looking statements are based on various factors and were derived utilizing numerous important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements. Important assumptions and other factors that could cause actual results to differ materially from those in the forward-looking statements, include but are not limited to: (a) any fluctuations in sales and operating results; (b) risks associated with international operations; (c) regulatory, competitive and contractual risks; (d) development risks; (e) the ability to achieve strategic initiatives, including but not limited to the ability to achieve sales growth across the business segments through a combination of enhanced sales force, new products, and customer service; (f) competition in the Company’s existing and potential future product lines of business; (g) the Company’s ability to obtain financing on acceptable terms if and when needed; (h) uncertainty as to the Company’s future profitability; (i) uncertainty as to the future profitability of acquired businesses or product lines; and (j) uncertainty as to any future expansion of the Company. Other factors and assumptions not identified above were also involved in the derivation of these forward-looking statements and the failure of such assumptions to be realized as well as other factors may also cause actual results to differ materially from those projected. The Company assumes no obligation to update these forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements, except as may be required under applicable law. Past results are no guaranty of future performance. Any such forward-looking statements speak only as of the dates they are made. When used in this Report, the words “believes,” “anticipates,” “expects,” “estimates,” “plans,” “intends,” “will” and similar expressions are intended to identify forward-looking statements.*

This Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the financial statements and footnotes thereto included in this Quarterly Report on Form 10-Q (the “Financial Statements”).

### **Company Overview**

**Biotricity Inc.** (“Company”, “Biotricity”, “we”, “us” or “our”)

Biotricity Inc. (the “Company”, “Biotricity”, “we”, “us”, “our”) is a medical technology company focused on biometric data monitoring solutions. Our aim is to deliver innovative, remote monitoring solutions to the medical, healthcare, and consumer markets, with a focus on diagnostic and post-diagnostic solutions for lifestyle and chronic illnesses. We approach the diagnostic side of remote patient monitoring by applying innovation within existing business models where reimbursement is established. We believe this approach reduces the risk associated with traditional medical device development and accelerates the path to revenue. In post-diagnostic markets, we intend to apply medical grade biometrics to enable consumers to self-manage, thereby driving patient compliance and reducing healthcare costs. We intend to first focus on a segment of the diagnostic mobile cardiac telemetry market, otherwise known as MCT, while providing our chosen markets with the capability to also perform other cardiac studies.

We developed our FDA-approved Bioflux® MCT technology, comprised of a monitoring device and software components, which we made available to the market under limited release on April 6, 2018, in order to assess, establish and develop sales processes and market dynamics. The fiscal year ended March 31, 2021 marked the Company's first year of expanded commercialization efforts, focused on sales growth and expansion. We have expanded our sales efforts to 20 states, with intention to expand further and compete in the broader US market using an insourcing business model. Our technology has a large potential total addressable market, which can include hospitals, clinics and physicians' offices, as well as other Independent Diagnostic Testing Facilities ("IDTFs"). We believe our solution's insourcing model, which empowers physicians with state-of-the-art technology and charges technology service fees for its use, has the benefit of a reduced operating overhead for the Company, and enables a more efficient market penetration and distribution strategy. This, when combined with the value the Company's solution in the diagnosis of cardiac arrhythmias, enhancement of patient outcomes, improved patient compliance, and the corresponding reduction of healthcare costs, is driving growth and increasing revenues.

We are a technology company focused on earning utilization-based recurring technology fee revenue. The Company's ability to grow this type of revenue is predicated on the size and quality of its sales force and their ability to penetrate the market and place devices with clinically focused, repeat users of its cardiac study technology. The Company plans to grow its sales force in order to address new markets and achieve sales penetration in the markets currently served.

The fiscal year ended March 31, 2021 marked the trailing 24-month period of full market release of the Bioflux MCT device for commercialization, originally launched in limited market release in April 2018, after receiving its second and final required FDA clearance. To commence commercialization, we ordered device inventory from our FDA-approved manufacturer and hired a small, captive sales force, with deep experience in cardiac technology sales; we expanded on our limited market release, which identified potential anchor clients who could be early adopters of our technology. By increasing our sales force and geographic footprint, we have launched sales in 26 U.S. states by December 31, 2021.

On January 24, 2022 the Company announced that it has received the 510(k) FDA clearance of its Biotres patch solution, which is a novel product in the field of Holter monitoring. This three-lead technology is can provide connected Holter monitoring that is designed to produce more accurate arrhythmia detection than is typical of competing remote patient monitoring solutions. It is also foundational, since already developed improvements to this technology will follow which are not known by the Company to be currently available in the market, for clinical and consumer patch solution applications.

During 2021, the Company also announced that it received a 510(k) clearance from the FDA for its Bioflux Software II System, engineered to improve workflows and reduce estimated analysis time from 5 minutes to 30 seconds. ECG monitoring requires significant human oversight to review and interpret incoming patient data to discern actionable events for clinical intervention, highlighting the necessity of driving operational efficiency. This improvement in analysis time reduces operational costs and allows the company to continue to focus on excellent customer service and industry-leading response times to physicians and their at-risk patients. Additionally, these advances mean we can focus our resources on high-level operations and sales to help drive greater revenue.

The Company has also developed or is developing several other ancillary technologies, which will require application for further FDA clearances, which the Company anticipates applying for within the next to twelve months. Among these are:

- advanced ECG analysis software that can analyze and synthesize patient ECG monitoring data with the purpose of distilling it down to the important information that requires clinical intervention, while reducing the amount of human intervention necessary in the process;
- the Bioflux® 2.0, which is the next generation of our award winning Bioflux®

During 2021 and the early part of 2022, the Company has also commercially launched its Bioheart technology, which is a consumer technology whose development was forged out of prior the development of the clinical technologies that are already part of the Company's technology ecosystem, the BioSphere. This technology and other consumer technologies and applications such as the Biokit and Biocare have been developed to allow the Company to transform and use its strong cardiac footprint to expand into remote chronic care management solutions that will be part of the BioSphere.

The COVID-19 pandemic has highlighted the importance of telemedicine and remote patient monitoring technologies. During the nine months ended December 31, 2021, the Company has continued to develop a telemedicine platform, with capabilities of real-time streaming of medical devices. Telemedicine offers patients the ability to communicate directly with their health care providers without the need of leaving their home. The introduction of a telemedicine solution is intended to align with the Company's Bioflux product and facilitate remote visits and remote prescriptions for cardiac diagnostics, but it will also serve as a means of establishing referral and other synergies across the network of doctors and patients that use the technologies we are building within the Biotricity ecosystem. The intention is to continue to provide improved care to patients that may otherwise elect not to go to medical facilities and continue to provide economic benefits and costs savings to healthcare service providers and payers that reimburse.

## Critical Accounting Policies

The unaudited condensed consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) and are expressed in United States Dollars. Significant accounting policies are summarized below:

### Use of Estimates

The preparation of the unaudited condensed consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Areas involving significant estimates and assumptions include: deferred income tax assets and related valuation allowance, accruals and valuation of derivatives, convertible promissory notes, stock options and warrants, as well as assumptions used by management in its assessment of liquidity. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

### Earnings (Loss) Per Share

We have adopted the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) Topic 260-10 which provides for calculation of “basic” and “diluted” earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income or loss available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity. Diluted earnings per share exclude all potentially dilutive shares if their effect is anti-dilutive. There were no potentially dilutive shares outstanding as at December 31, 2021.

### Fair Value of Financial Instruments

ASC 820 defines fair value, establishes a framework for measuring fair value and expands required disclosure about fair value measurements of assets and liabilities. ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820-10 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation based on quoted market prices for similar assets and liabilities in active markets.
- Level 3 – Valuation based on unobservable inputs that are supported by little or no market activity, therefore requiring management’s best estimate of what market participants would use as fair value.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values due to the short-term nature of these instruments or interest rates that are comparable to market rates. These financial instruments include cash, accounts receivable, deposits and other receivables, convertible promissory notes and short-term loans, accounts payable and accrued liabilities, and derivative liabilities. The Company’s cash and derivative liabilities, which are carried at fair values, are classified as a Level 1 and Level 3, respectively. The Company’s bank accounts are maintained with financial institutions of reputable credit, therefore, bear minimal credit risk.

## *Leases*

On April 1, 2019, the Company adopted Accounting Standards Codification Topic 842, “Leases” (“ASC 842”) to replace existing lease accounting guidance. This pronouncement is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the balance sheet for most leases. Expenses associated with leases will continue to be recognized in a manner similar to previous accounting guidance. The Company adopted ASC 842 utilizing the transition practical expedient added by the Financial Accounting Standards Board (“FASB”), which eliminates the requirement that entities apply the new lease standard to the comparative periods presented in the year of adoption.

The Company is the lessee in a lease contract when the Company obtains the right to use the asset. Operating leases are included in the line items right-of-use asset, lease obligation, current, and lease obligation, long-term in the consolidated balance sheet. Right-of-use (“ROU”) asset represents the Company’s right to use an underlying asset for the lease term and lease obligations represent the Company’s obligations to make lease payments arising from the lease, both of which are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. Leases with a lease term of 12 months or less at inception are not recorded on the consolidated balance sheet and are expensed on a straight-line basis over the lease term in our consolidated statement of income. The Company determines the lease term by agreement with lessor. As our lease does not provide an implicit interest rate, the Company uses the Company’s incremental borrowing rate based on the information available at commencement date in determining the present value of future payments.

## Government loan

For loans received from federal government that contains certain operating conditions and with terms over twelve month time, the Company records those loans as long term liabilities.

## **Recently Issued Accounting Pronouncements**

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments - Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments.” This pronouncement, along with subsequent ASUs issued to clarify provisions of ASU 2016-13, changes the impairment model for most financial assets and will require the use of an “expected loss” model for instruments measured at amortized cost. Under this model, entities will be required to estimate the lifetime expected credit loss on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. In developing the estimate for lifetime expected credit loss, entities must incorporate historical experience, current conditions, and reasonable and supportable forecasts. This pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019. On November 19, 2019, the FASB issued ASU No. 2019-10, Financial Instruments—Credit Losses (Topic 326), finalized various effective date delays for private companies, not-for-profit organizations, and certain smaller reporting companies applying the credit losses (CECL), the revised effective date is January 1, 2023.

In July 2019, the FASB issued ASU 2019-07, Codification Updates to SEC Sections. This ASU amends various SEC paragraphs pursuant to the issuance of SEC Final Rule Releases No. 33-10532, Disclosure Update and Simplification, and Nos. 33-10231 and 33-10442, Investment Company Reporting Modernization. One of the changes in the ASU requires a presentation of changes in stockholders’ equity in the form of a reconciliation, either as a separate financial statement or in the notes to the financial statements, for the current and comparative year-to-date interim periods. The Company presented changes in stockholders’ equity as separate financial statements for the current and comparative year-to-date interim periods beginning on April 1, 2019. The additional elements of the ASU did not have a material impact on the Company’s consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, Simplifying the Accounting for Income Taxes (“ASU 2019-12”), which simplifies the accounting for income taxes, eliminates certain exceptions within ASC 740, Income Taxes, and clarifies certain aspects of the current guidance to promote consistency among reporting entities. ASU 2019-12 is effective for fiscal years beginning after December 15, 2021. Most amendments within the standard are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. The Company is currently evaluating the impacts of the provisions of ASU 2019-12 on its financial condition, results of operations, and cash flows.

In March 2020, the FASB issued ASU No. 2030-20 Codification Improvements to Financial Instruments, An Amendment of the FASB Accounting Standards Codification: a) in ASU No. 2016-01, b) in Subtopic 820-10, c) for depository and lending institutions clarification in disclosure requirements, d) in Subtopic 470-50, e) in Subtopic 820-10, f) Interaction of Topic 842 and Topic 326, g) Interaction of the guidance in Topic 326 and Subtopic 860-20. The amendments in this Update represent changes to clarify or improve the Codification. The amendments make the Codification easier to understand and easier to apply by eliminating inconsistencies and providing clarifications. For public business entities updates under the following paragraphs: a), b), d) and e) are effective upon issuance of this final update. The effective date for c) is for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company does not expect that the new guidance will significantly impact its consolidated financial statements.

## **Results of Operations**

The Company earned revenues of \$5.5 million for the nine months ended December 31, 2021 compared to \$2.2 million in the corresponding prior year period – a 150% increase.

During the three months ended December 31, 2021, the Company earned combined device sales and technology fee income totalling \$1.93 million. This represents a 93% increase from the corresponding quarter of fiscal 2021, an increase of approximately \$0.93 million over the revenue earned in that quarter. Revenues for the latest reporting period, which were 7% higher than the respective revenues of the immediately preceding quarter, reflected the continued impact of COVID on customer clinic operations and closures across the US. The Omicron variant afflicted many of the US states that the Company operates in during the quarter, creating continued business turbulence and clinic closures that caused patients to delay their cardiac medical appointments. It also impeded the ability of company sales professionals from engaging in in-person sales meetings with their customers. These closures were compounded by the seasonally low Christmas vacation. This was a continuation of the turbulence encountered due to COVID in the prior quarter, which was exacerbated by hurricanes that affected the southern US. Management anticipates that the lower-than-expected sales growth and the technology services foregone during this period will result in a pent-up demand for cardiac services in the next quarter – a trend experienced during past periods of clinic closures. This expectation is reflected in management’s decision to acquire additional professional sales talent and grow its sales force by more than 33% during the intervening months. Management expects the slower growth trend to be transient and anticipates continuous improvement in the growth trajectory of the Company’s revenues.

During the three months ended December 31, 2021, Biotricity incurred a net loss of \$7.3 million and a comprehensive loss of approximately \$7.4 million, compared to \$4.1 million and \$3.8 million in the comparative periods of fiscal 2021. This resulted in a net loss per common share of \$0.149 and \$0.554 per share for the three and nine months ended December 31, 2021, respectively (2020: \$0.111, \$0.288).

For the three and nine months ended December 31, 2021, Biotricity’s net loss included one-time expenses related to accretion and other expenses related to convertible note conversions, as well as one-time fair value adjustments on derivative liabilities. Total impact of such one-time expenses was \$1.3 million and \$6.3 million, respectively, for the three and nine months ended December 31, 2021. In addition, during the nine months ended December 31, 2021, Biotricity incurred \$0.95 million one-time investor relation and professional fee expenses in pursuit of its listing on a national exchange. Removing the impact of these one-time, non-operating expenses, would have resulted in a normalized net loss of \$6.0 million and a normalized comprehensive loss of \$6.0 million for the three months ended December 31, 2021, as well as a normalized net loss of \$17.0 million and a normalized comprehensive loss of \$17.0 million for the nine months ended December 31, 2021. The normalized loss per common share would have been \$0.122 and \$0.389 for the three and nine months ended December 31, 2021.

During the three months ended December 31, 2021, the Company experienced a gross margin of 43%. This is a lower percentage from the respective nine-month percentage of 57% as a result of sales mix for the latter three month period, where the company focused on selling devices that are later expected to produce higher margin technology fee revenues, Management expects that the cost of devices sold, as well as cellular and other costs associated with technology fees, will become lower as a percentage of revenues as business sales volumes expand.



### ***Three and Nine Months Ended December 31, 2021 and 2020***

#### *Operating Revenues and Expenses*

##### *Operating Expenses*

Total operating expenses for the three and nine months ended December 31, 2021 were \$5.6 million and \$16.0 million compared to \$4.0 million and \$10.7 million, respectively, for the corresponding periods of the prior year, as further described below.

##### *General and administrative expenses*

Our general and administrative expenses for the three and nine months ended December 31, 2021 was \$4.7 million and \$13.9 million, compared to \$3.3 million and \$9.2 million, respectively, for the corresponding prior year periods. The increase in general and administrative expenses was a result of investment made by the Company in building its professional sales force, offset by more efficient office and administrative spending activities.

##### *Research and development expenses*

During the three and nine months ended December 31, 2021 we incurred research and development expenses of \$0.9 and \$2.1 million, compared to \$0.68 million and \$1.5 million in the prior year. The increase in research and development activity is directly related to the development of new technologies for our ecosystem and our pursuit of FDA clearance of new products (including the Biotres), as well as the development of continuous product enhancements to our existing products.

##### *Accretion and amortization expense related to convertible notes*

During the three and nine months ended December 31, 2021, we incurred accretion and amortization expense related to debt financing of \$1.3 million and \$8.8 million, respectively, compared to \$0.38 million and \$0.72 million in the prior year. The increase compared to prior year's comparative periods was a result of amortization of the debt discount related to Series A and Series B convertible notes that were closed during January 2021.

##### *Change in fair value of derivative liabilities*

During the three and nine months ended December 31, 2021, the Company recognized a loss of \$0.77 million, and loss of \$0.68 million, respectively, related to the change in fair value of derivative liabilities related to preferred shares and convertible notes. The company recognized a gain of \$0.35 million and loss of \$0.78 million in corresponding prior year periods.

##### *Translation Adjustment*

Translation adjustment for the three and nine months ended December 31, 2021 was a loss of \$20,064 and a loss of \$1,841, respectively. The company recognized a gain of \$0.37 million and gain of \$0.19 million in corresponding prior year periods. This translation adjustment represents gains and losses that result from the translation of currency in the financial statements from our functional currency of Canadian dollars to the reporting currency in U.S. dollars over the course of the reporting period.

### **Liquidity and Capital Resources**

The Company is in commercialization mode, while continuing to pursue the development of its next generation MCT product as well as new products that are being developed.

We generally require cash to:

- purchase devices that will be placed in the field for pilot projects and to produce revenue,
- launch sales initiatives,
- fund our operations and working capital requirements,
- develop and execute our product development and market introduction plans,
- fund research and development efforts, and
- pay any expense obligations as they come due.

The Company is in the early stages of commercializing its first product. It is concurrently in development mode, operating a research and development program in order to develop an ecosystem of medical technologies, and, where required or deemed advisable, obtain regulatory approvals for, and commercialize other proposed products. The Company launched its first commercial sales program as part of a limited market release, during the year ended March 31, 2019, using an experienced professional in-house sales team. A full market release ensued during the year ended March 31, 2020. Management anticipates the Company will continue on its revenue growth trajectory and improve its liquidity through continued business development and after additional equity or debt capitalization of the Company. The Company has incurred recurring losses from operations, and as at December 31, 2021, has an accumulated deficit of \$87,055,411 (March 31, 2021 - \$62,817,688). On August 30, 2021 the Company completed an underwritten public offering of its common stock that concurrently facilitated its listing on the Nasdaq Capital Market. On December 31, 2021, the Company has a working capital surplus of \$14,781,021 (March 31, 2021 – working capital deficiency of \$6,168,700). Prior to listing on the Nasdaq Capital Market, The Company had also filed a shelf Registration Statement on Form S-3 (No. 333-255544) with the Securities and Exchange Commission on April 27, 2021, which was declared effective on May 4, 2021. This facilitates better transactional preparedness when the Company seeks to issue equity or debt to potential investors, since it continues to allow the Company to offer its shares to investors only by means of a prospectus, including a prospectus supplement, which forms part of an effective registration statement. As such, the Company has developed and continues to pursue sources of funding that management believes will be sufficient to support the Company's operating plan and alleviate any substantial doubt as to its ability to meet its obligations at least for a period of one year from the date of these consolidated financial statements. During the fiscal year ended March 31, 2021, the Company closed a number of private placements offering of convertible notes, which have raised net cash proceeds of \$11,375,690 (face value \$12,525,500). As of December 31, 2021, \$11,048,000 face value of convertible notes issued during last fiscal year was converted into common shares. During fiscal quarter ended June 30, 2021, the Company raised an additional \$499,900 through government EIDL loan, and \$250,000 through short term loans. During the fiscal quarter ended Sept 30, 2021, the Company raised total net proceeds of \$14,545,805 through the underwritten public offering that was concurrent with its listing onto the Nasdaq Capital Markets. During the fiscal quarter ended December 31, 2021, the Company raised additional net proceeds of \$11,756,563 through a term loan transaction (Note 6) and made repayment of the previously issued promissory notes (Note 5 (a)) and short-term loan (Note 5 (a)).

As we proceed with the commercialization of the Bioflux product development, we expect to continue to devote significant resources on capital expenditures, as well as research and development costs and operations, marketing and sales expenditures.

The Company is in its strongest ever capital position as at December 31, 2021. We expect to require additional funds to further develop our business plan, including the continuous commercialization and expansion of the technologies that will form part of its BioSphere eco-system. Based on the current known facts and assumptions, we believe our existing cash and cash equivalents, along with anticipated near-term equity financings, will be sufficient to meet our needs for the next twelve months from the filing date of this report. However, we will need to seek additional debt or equity capital to respond to business opportunities and challenges, including our ongoing operating expenses, protecting our intellectual property, developing or acquiring new lines of business and enhancing our operating infrastructure. The terms of our future financings may be dilutive to, or otherwise adversely affect, holders of our common stock. We may also seek additional funds through arrangements with collaborators or other third parties. There can be no assurance we will be able to raise this additional capital on acceptable terms, or at all. If we are unable to obtain additional funding on a timely basis, we may be required to modify our operating plan and otherwise curtail or slow the pace of development and commercialization of our proposed product lines.

### **Net Cash Used in Operating Activities**

During the nine months ended December 31, 2021, we used cash in operating activities of \$10.4 million compared to \$7.5 million for the corresponding period of the prior year. These activities involved expenditures for sales, infrastructure and business development, as well as marketing and operating activities, and continued research and product development.

### **Net Cash from Financing Activities**

Net cash provided by financing activities was \$25.0 million for the nine months ended December 31, 2021 compared to \$9.6 million for the nine months ended December 31, 2020.

### **Net Cash Used in Investing Activities**

Net cash used by investing activities was \$29,766 for the nine months ended December 31, 2021 (December 31, 2020: Nil).

### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Not required for a smaller reporting company.

### **Item 4. Controls and Procedures.**

#### **Evaluation of Disclosure Controls and Procedures**

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-15(e). The Company's disclosure controls and procedures are designed to provide a reasonable level of assurance of reaching the Company's desired disclosure control objectives. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Therefore, even a system which is determined to be effective cannot provide absolute assurance that all control issues have been detected or prevented. Our systems of internal controls are designed to provide reasonable assurance with respect to financial statement preparation and presentation.

At the end of the period being reported upon, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to ensure that the material information required to be included in our Securities and Exchange Commission reports is accumulated and communicated to our management, including our principal executive and financial officer, as well as recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms relating to the Company.

#### **Changes in Internal Controls**

There were no changes in the Company's internal controls over financial reporting that occurred during the three-month period ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

**PART II**  
**OTHER INFORMATION**

**Item 1. Legal Proceedings.**

None.

**Item 1A. Risk Factors**

Not required for smaller reporting companies.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

During the period from July 1 to August 16, the Company received conversion notices to convert \$5,268,000 in convertibles notes, together with \$428,000 in accrued interest, into common shares. Pursuant to receipt of these conversion notices, the Company has processed the issuance of 2,273,400 common shares. During this same period, has issued 59,883 common shares to investors in the respective convertible notes who have exercised warrants issued in prior periods. Also during this same period, the Company issued 36,060 common shares to brokers who exercised placement agent warrants received as compensation. In connection with the foregoing, the Company relied upon the exemption from registration provided by Section 4(a)(2) under the Securities Act of 1933, as amended, for transactions not involving a public offering.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None.

**Item 6. Exhibits**

[31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002\\*](#)

[31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002\\*](#)

[32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002\\*\\*](#)

[32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002\\*\\*](#)

101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

\* Filed herewith.

\*\* Furnished herewith.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 14<sup>th</sup> day of February 2022.

BIOTRICITY INC.

By: /s/ Waqaas Al-Siddiq

Name: Waqaas Al-Siddiq

Title: Chief Executive Officer  
(principal executive officer)

By: /s/ John Ayanoglou

Name: John Ayanoglou

Title: Chief Financial Officer  
(principal financial and accounting officer)

**BIOTRICITY INC.**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES  
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002

I, Waqaas Al-Siddiq, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Biotricity Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2022

/s/ Waqaas Al-Siddiq  
Waqaas Al-Siddiq  
Chief Executive Officer  
(principal executive officer)

**BIOTRICITY INC.**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES  
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002

I, John Ayanoglou, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Biotricity Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2022

*/s/ John Ayanoglou*

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John Ayanoglou  
(Principal Financial Officer)

**BIOTRICITY INC.**

CERTIFICATION PURSUANT TO  
18 U.S.C. §1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Biotricity Inc. (the “Company”) for the quarterly period ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Waqaas Al-Siddiq, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 14, 2022

*/s/ Waqaas Al-Siddiq*

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Waqaas Al-Siddiq  
Chief Executive Officer  
(principal executive officer)



**BIOTRICITY INC.**

CERTIFICATION PURSUANT TO  
18 U.S.C. §1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Biotricity Inc. (the “Company”) for the quarterly period ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John Ayanoglou, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 14, 2022

*/s/ John Ayanoglou*

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John Ayanoglou  
(Principal Financial Officer)