WPD Pharmaceuticals Inc.

Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
WPD Pharmaceuticals Inc.

Opinion

We have audited the accompanying consolidated financial statements of WPD Pharmaceuticals Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021 and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' deficiency, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our audit report.

Deconsolidation of WPD Poland

During the year ended December 31, 2022, the Company de-consolidated its previously wholly owned subsidiary WPD Poland, resulting in a gain on deconsolidation of $4,522,434, as described in Note 7 to the consolidated financial statements.

We considered this a key audit matter due to the fact that the transaction and its accounting are non-routine and significant management judgements are involved. These judgments include, among others, the determination to deconsolidate, the accounting for the remaining investment in WPD Poland post-deconsolidation, and the presentation within the consolidated financial statements.

To address this key audit matter, we performed the following procedures:

- Assessed the Company's internal control design and implementation regarding accounting for the deconsolidation.
- Assessed and corroborated the determination that a loss of control had occurred under the requirements of IFRS 10.
- Verified the carrying amount of the net assets on the deconsolidation date, and recalculated the gain on disposition.
- Reviewed the accounting treatment of the remaining investment in WPD Poland as an investment at fair value through profit and loss.
- Reviewed the adequacy of the related disclosures.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Daniel Nathan.

Davidson & Company LLP

Vancouver, Canada | Chartered Professional Accountants

January 25, 2024

WPD PHARMACEUTICALS INC.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note		As at December 31, 2022		As at December 31, 2021
ASSETS					
Current assets					
Cash		$	23,794	$	301,152
Restricted cash	12		-		1,407,523
Receivables	4		52,056		33,854
Prepaids and deposits			-		55,749
			75,850		1,798,278
Non-current assets					
Right-of-use assets	11		-		15,908
Equipment	6		-		49,349
TOTAL ASSETS		**$**	**75,850**	**$**	**1,863,535**
LIABILITIES AND SHAREHOLDERS' DEFICIENCY					
Current liabilities					
Accounts payable and accrued liabilities		$	538,465	$	1,777,010
Loans payable	8		-		1,027,847
Lease liabilities	11		-		16,255
Due to related parties	9		16,177		674,172
Deferred grant income	12		-		2,426,694
TOTAL LIABILITIES			554,642		5,921,978
Shareholders' deficiency					
Share capital	10		17,084,266		17,084,266
Reserves	10		4,369,929		4,325,752
Accumulated other comprehensive income			-		321,975
Deficit			(21,932,987)		(25,790,436)
TOTAL SHAREHOLDERS' DEFICIENCY			(478,792)		(4,058,443)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		**$**	**75,850**	**$**	**1,863,535**

Nature and continuance of operations (Note 1)
Commitments (Note 16)
Subsequent events (Note 17)

Approved and authorized by the Board of Directors on January 24, 2024.

"Constantine Carmichel"	*"Teresa Rzepczyk"*
Constantine Carmichel, Director	*Teresa Rzepczyk, Director*

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

WPD PHARMACEUTICALS INC.
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Expressed in Canadian Dollars)

	Notes		For the years ended December 31, 2022		2021
Expenses					
Administration and supplies		$	80,344	$	267,873
Amortization and depreciation	5,6,11		24,436		290,218
Consultants			1,131,160		3,755,478
Foreign exchange			11,508		198,231
Impairment of intangible assets			30,102		440,881
Interest expense			167,520		88,542
Laboratory fees, services, and supplies			21,755		97,452
Management and director fees	9		59,000		231,600
Marketing and advertising			-		73,790
Professional fees			93,652		112,950
Regulatory, transfer agent and shareholder info			57,052		232,448
Research and development recovery			-		(4,304)
Salaries			798,862		1,044,852
Share-based payments	10		44,177		159,127
Taxes and fees			18,784		70,279
Total expenses			(2,538,352)		(7,059,417)
Other items					
Gain on debt forgiveness	8		-		234,557
Gain from loss of control in subsidiary	7		4,522,434		-
Other income	12		1,873,367		1,201,710
Net income (loss) for the year			3,857,449		(5,623,150)
Foreign exchange translation adjustment			(321,975)		297,989
Total comprehensive income (loss) for the year		**$**	**3,535,474**	**$**	**(5,325,161)**
Income (loss) per share - basic and diluted		**$**	**0.03**	**$**	**(0.05)**
Weighted average number of common shares outstanding for the year - basic and diluted			**113,438,244**		**113,438,244**

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

WPD PHARMACEUTICALS INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

		For the years ended December 31, 2022		2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss) for the year	$	3,857,449	$	(5,623,150)
Items not affecting cash:				
Amortization and depreciation		24,436		290,218
Gain from loss of control in subsidiary		(4,522,434)		-
Impairment of intangible assets		30,102		440,881
Interest expense		167,520		88,329
Share-based payments		44,177		159,127
Gain on forgiveness of debt		-		(234,557)
Non-cash working capital item changes:				
Receivables		(60,412)		5,872
Prepaids and deposits		35,002		(28,511)
Accounts payable and accrued liabilities		(415,358)		945,303
Due to related parties		(1,027,128)		674,172
Deferred grant income		(1,562,559)		1,796,804
Net cash used in operating activities		(3,429,205)		(1,485,512)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of intangibles		(36,346)		(67,577)
Cash eliminated on deconsolidation		(202,707)		-
Acquisition of equipment		-		(3,401)
Net cash used in investing activities		(239,053)		(70,978)
CASH FLOWS FROM FINANCING ACTIVITIES				
Subscriptions received		503,370		-
Lease payments		(5,851)		(7,871)
Proceeds from loans		740,074		1,002,096
Repayment of loans		(12,131)		(2,001)
Net cash provided by financing activities		1,225,462		992,224
Change in cash and restricted cash for the year		(2,442,796)		(564,266)
Effect of foreign exchange on cash		757,915		404,155
Cash and restricted cash, beginning of the year		1,708,675		1,868,786
Cash and restricted cash, end of the year	**$**	**23,794**	**$**	**1,708,675**
SUPPLEMENTARY CASH FLOW INFORMATION				
Decrease in right-of-use asset	$	(5,982)	$	(7,018)

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

WPD PHARMACEUTICALS INC.
Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian Dollars)

	Share Capital						
	Number		**Amount**	**Reserves**	**Cumulative transaction adjustment**	**Deficit**	**Total**
Balance, December 31, 2020	**113,438,244**	**$**	**17,084,266**	**$4,166,625**	**$ 23,985**	**$(20,167,286)**	**$ 1,107,590**
Share-based payments	-		-	159,127	-	-	159,127
Comprehensive loss for the year	-		-	-	297,990	(5,623,150)	(5,325,160)
Balance at December 31, 2021	**113,438,244**	**$**	**17,084,266**	**$4,325,752**	**$ 321,975**	**$(25,790,436)**	**$(4,058,443)**
Share-based payments	-		-	44,177	-	-	44,177
Comprehensive loss for the year	-		-	-	(321,975)	3,857,449	3,535,474
Balance at December 31, 2022	**113,438,244**	**$**	**17,084,266**	**$4,369,929**	**$ -**	**$(21,932,987)**	**$ (478,792)**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

WPD Pharmaceuticals Inc. (the "Company") was incorporated under the Provincial Laws of British Columbia on July 4, 2006. The consolidated financial statements comprised of the financial statements of the Company and its wholly owned subsidiary WPD Pharmaceuticals Sp. Z.o.o. ("WPD Poland"). The Company was determined to have lost control of the previously consolidated subsidiary WPD Poland on November 25, 2022 (Note 7) and has been deconsolidated accordingly effective that date.

The Company is listed on the Canadian Securities Exchange (the "Exchange") under the symbol "WBIO". The Company was principally engaged in the research and development of innovative medicinal products in the fields of oncology and infectious diseases through its subsidiary WPD Poland.

The head office and the registered address of the Company is 700 – 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1S8.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. During the year ended December 31, 2022, the Company had a net income of $3,857,449 (2021 – net loss of $5,623,150) and, as of that date, the Company had a working capital deficit of $478,792 (December 31, 2021 – working capital deficit of $4,123,700). While the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favorable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. These events and conditions indicate that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern.

These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, necessary financings, or generate profitable operations in the future.

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements, including comparatives have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Consolidation

The Company's consolidated financial statements include the accounts of the Company (2021 – the Company and its wholly owned subsidiary, WPD Poland). WPD Poland was an entity controlled by the Company till November 25, 2022. Control is achieved by the Company being exposed to, or having rights to, variable returns from the entity and having the ability to affect those returns through its power over the entity. Subsidiaries of the Company are fully consolidated from the date on which control is obtained and would be deconsolidated from the date that control ceases. All inter-company transactions, balances, income and expense are eliminated on consolidation.

2. BASIS OF PREPARATION (continued)

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and Presentation Currency

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

These consolidated financial statements are presented in Canadian dollars, the Company's presentation currency. The functional currency of the Company is the Canadian dollar, and the functional currency of WPD Poland is the Polish Zloty ("PLN").

Assets and liabilities for each statement of financial position presented (including comparatives) are translated at the closing rate at the date of that statement of financial position. This would include any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as part of the assets and liabilities of the foreign operation;

- income and expenses for each income statement (including comparatives) are translated at exchange rates approximately at the dates of the transactions; and
- all resulting exchange differences are recognized in other comprehensive income.

Transactions in foreign currencies are translated into the functional currency at exchange rates as at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date of acquisition. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

Significant Accounting Judgments and Estimates

The Company makes estimates and judgements about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual results may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions that have been made, relate to the following key estimates and judgements:

2. BASIS OF PREPARATION (continued)

Significant Accounting Judgments and Estimates (continued)

Investment – significant influence
The Company considers that it neither controls WPD Poland nor exercise significant influence with its ownership of 19.05% of the voting rights. Additionally, the arrangement does not satisfy the requirements of either 'Held for Sale' or the 'Discontinued Operations' classifications under IFRS 5. The Company's significant shareholder was also the founder of WPD Poland and is currently part of the Scientific Advisory Board of WPD Poland focussing more on the technical aspects of the various research projects and seeing them thorough the various stages of development and regulatory approval in Poland and/or European Union.

Post-reverse take-over ("RTO") in 2019, this shareholder is the single largest block of shareholders in WPD Canada. However, this shareholder does not actively participate in any of the activities of WPD Canada, neither is an officer or on the board of WPD Canada nor have any nominee director as their representative. Accordingly, this shareholder has no direct or indirect involvement with WPD Canada other than the shareholding. In the absence of any current indications of any change to their status for WPD Canada, it is expected that this shareholding may probably diminish further from the current 21%. Accordingly, management currently feels it is highly unlikely for WPD Canada to have any influence over WPD Poland through this significant shareholder of the Company or entities under their control.

Valuation of investment
The Company recognizes investments at fair value. Fair value is determined either based on market prices from independent sources, if available, or when there is no market price, then the fair value is determined by using valuation models with inputs derived from observable market data where possible, but where observable data is not available, judgement is required to establish fair values. Investment in WPD Poland is based on estimates of the fair value by dollar value done by an external appraiser. The other investment was valued internally.

The fair value of investment in WPD Poland is based on the nature, location and current clinical development stage, research, development, manufacturing and sales rights, among other things. The fair value of investment represents an estimate of the price that would be made in an arm's length transaction between knowledgeable, willing parties.

Intangible Assets – cost
Management exercises judgment in determining which payments made under its license agreements qualify as a capitalizable cost under the Company's intangible asset policy in accordance with IAS 38. In making this determination, management determined that license fees as well as cost reimbursements for maintenance of the patents would be capitalized, while any future royalty payments made under the license agreement are not components of cost.

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

If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available.

2. BASIS OF PREPARATION (continued)

Significant Accounting Judgments and Estimates (continued)

Government assistance - grant income
Pursuant to the terms of the Company's grant from the National Centre of Research and Development ("NCRD") in Poland, the Company has met certain terms and conditions to qualify for the grant funding. The Company has therefore recognized in the income statement under other income, grant payments received which are reimbursements for expenditures the Company has incurred to date under the grant parameters and per the Company's government assistance policy in accordance with IAS 20. In making this determination, management reviews and ensures, both at the time of submitting an application to request the grant and in status reports submitted to NCRD periodically, that all the necessary conditions under the respective agreements are followed.

Management exercised judgement in determining whether the Company has met these relevant conditions attached to grants received. Some of the conditions in these agreements relate to future and require the company to progress the project as per the Company's plan submitted at the time of application as well as utilizing the results of the research and development and eventually in production and commercialization of that drug within a specified time period. All such expenses are subject to assessment by National Centre of Research and Development for compliance with the grant regulations which may result in certain expenses being denied.

Intangible Assets – impairment (continued)
Following initial recognition, the Company carries the value of intangible assets at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded on a straight-line basis based upon management's estimate of the useful life and residual value. The estimates are reviewed at least annually and are updated if expectations change as a result of technical obsolescence or legal and other limits to use. A change in the useful life or residual value will impact the reported carrying value of the intangible assets resulting in a change in related amortization expense.

Determination of functional currency
The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions within the reporting entity.

Income taxes
In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Share-based payments
The Company measures the cost of equity-settled transactions with employees and those providing similar services by reference to the fair value of the equity instruments at the date at which they were granted. Estimating the fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model, including the expected life of the stock options, volatility, and dividend yield.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated. Certain prior year comparative figures have been reclassified to comply with current year presentation.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL.

For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification under IFRS 9:

Financial asset	IFRS 9 Classification
Cash and restricted cash	Fair value through profit or loss
Receivables	Amortized cost
Investments	Fair value through profit or loss

Financial liabilities	IFRS 9 Classification
Accounts payable and accrued liabilities	Other financial liabilities
Due to related parties	Other financial liabilities
Lease liabilities	Other financial liabilities
Loans payable	Other financial liabilities

(ii) Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

Debt investments at FVTOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI
These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(ii) Measurement (continued)

Impairment of financial assets at amortized cost
The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iii) Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive loss.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. The Company also derecognizes financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit and loss.

Equipment

Office and medical equipment acquired for use in research and business activities is valued at cost, being the purchase price and directly attributable cost of acquisition required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company. Depreciation has been recognized using the declining balance method at the rate of 20% per annum.

Intangible assets

The Company owns intangible assets consisting of a license agreement for use of patents. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred.

The Company does not hold any intangible assets with indefinite lives.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization method and amortization period of an intangible asset with a finite life is reviewed at least annually.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized profit and loss.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The Company uses an expected useful life related to patent costs capitalized as intangible of 2 years based on a refined timeline for the projects to which the patented technology will be applied. The Company continually assesses the expected benefit provided from these patents as it performs research in order to make these estimates.

Impairment of long-lived assets

The Company's long-lived assets are reviewed for indications of impairment at the date of preparing each statement of financial position. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying value of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other assets or group of assets. For the purpose of impairment testing, the Company determined it has one cash-generating unit.

The recoverable amount is the greater of the asset's fair value less cost to sell and value in use. In assessing fair value less cost to sell for the cash-generating unit, the Company's market capitalization is considered. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but not to an amount that would exceed the original carrying amount in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions

Provisions are recorded when a present legal, statutory, or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, if the effect is material, its carrying amount is the present value of those cash flows.

Government assistance

Government grants related to income, including grants from similar bodies, are presented as part of profit and loss as other income. Government grants are recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program and there is reasonable assurance that the grant will be received.

Research grants that compensate the Company for expenses incurred are recognized in profit or loss on a systematic basis in the same years in which the expenses are recognized. Grants that compensate the Company for the cost of an asset are recognized in profit or loss on a systematic basis over the useful life of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development costs

Expenditures on research and development activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Investment tax credits related to current expenditures are included in the determination of net income as the expenditures are incurred when there is reasonable assurance they will be realized.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. These criteria will be deemed by the Company to have been met when or if revenue is generated by the Company and a determination that it has sufficient resources to market and sell its product offerings. Upon a determination that the criteria to capitalize development expenditures have been met, the expenditures capitalized will include the cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures will be expensed as incurred.

Capitalized development expenditures will be measured at cost less accumulated amortization and accumulated impairment losses. No development costs have been capitalized to date.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants, and similar instruments is computed using the treasury stock method. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Stock-based compensation

The Company grants stock options to purchase common shares of the Company to directors, officers, employees and consultants.

(i) Employees and others providing similar services

The Board of Directors grants stock options to directors, officers, and employees for periods of up to five years, with vesting periods determined at its sole discretion.
Stock options granted to employees and others providing similar services are valued based on the fair value of the equity instruments granted. When stock options granted to employees vest in instalments over a vesting period, each instalment is treated as a separate grant. The fair value of stock options granted to employees is measured at grant date using the Black-Scholes option pricing model. The fair value is recognized as an expense over the vesting period with a corresponding increase in contributed surplus. The amount recognized as an expense is adjusted to reflect the number of stock options expected to vest.

(ii) Non-employees

Stock options granted to non-employees are valued based on the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case, the fair value of the goods and services received is measured, indirectly, by reference to the fair value of the equity instruments granted. The fair value is recognized as a cost when the Company obtains the goods or the counterparty renders the service, with a corresponding increase in contributed surplus. The fair value is recognized as a cost over the vesting period, if any. When applicable, the fair value of stock options granted to non-employees is measured using the Black-Scholes option pricing model. The fair value of identifiable goods and services is measured on the date the Company obtains the goods or the counterparty renders the services. The fair value of unidentifiable goods and services is measured at grant date.

(iii) Modifications

Modifications to the vesting periods of stock-based compensation are accounted for prospectively from the modification date to the revised vesting date.

New standards not yet adopted

The Company is not aware of any upcoming accounting pronouncements which would be expected to have a material impact on the financial statements.

4. ACCOUNTS RECEIVABLE

As at		December 31, 2022		December 31, 2021
Tax receivables	$	52,056	$	33,854

Tax receivables are comprised of GST in Canada (2021 - GST in Canada and Value-added tax (“VAT”) in Poland).

(Expressed in Canadian Dollars)

5. INTANGIBLE ASSETS

Cost		
Balance at December 31, 2020	$	1,005,321
Additions		67,577
Cumulative translation adjustment		(17,884)
Balance at December 31, 2021	$	1,055,014
Additions		36,346
Deconsolidation of WPD Poland (Note 7)		(1,091,360)
Balance at December 31, 2022	**$**	**-**
Amortization		
Balance at December 31, 2020	$	(343,791)
Additions		(270,342)
Impairment		(440,881)
Balance at December 31, 2021	$	(1,055,014)
Additions		(6,244)
Impairment		(30,102)
Deconsolidation of WPD Poland (Note 7)		1,091,360
Balance at December 31, 2022	**$**	**-**
Carrying value as at December 31, 2021	**$**	**-**
Carrying value as at December 31, 2022	**$**	**-**

On November 28, 2017 the WPD Poland signed a license agreement (“Wake Forest License Agreement”) with Wake Forest University Health Sciences (“WFUHS”) granting the it an exclusive, worldwide, royalty-bearing license under certain patented and patent-pending technologies for the diagnosis and treatment of glioblastoma multiforme, to make, use, import, offer for sale and sell licensed pharmaceutical products, including the right to sublicense its rights under the Wake Forest License Agreement, subject to WFUHS’ retained right to make, have made, and use licensed products solely for non-commercial, educational, academic, and research purposes. The term of the Wake Forest License Agreement is for the life of the licensed patents, which is 20 years.

Certain expenses incurred after the effective date of the agreement related to preparation, filing, and prosecution of the patents are also reimbursable from WPD Poland to WFUHS. Such expenses are classified as patent costs and capitalized as intangible expenses.

Impairment of intangible assets
Based on the current progress of the research and development work, while the Company still expects to utilize these intangible costs in completion of these projects, no future economic benefits is expected to flow to the Company at this time and are considered impaired.

On October 10, 2018, the Company entered into an agreement with Animal Life Sciences Inc. (formerly Animal Life Sciences, LLC) (“ALS”) to sublicense patent rights obtained under the WFUHS agreement. In consideration for sublicensing these rights, WPD received 418,750 common shares in ALS initially valued at $nil. See Note 7 for details regarding these ALS shares.

(Expressed in Canadian Dollars)

6. EQUIPMENT

Cost		
Balance at December 31, 2020	$	101,511
Additions		3,401
Cumulative translation adjustment		(5,834)
Balance at December 31, 2021	$	99,078
Additions		-
Disposals		(477)
Cumulative translation adjustment		(3,620)
Deconsolidation of WPD Poland (Note 7)		(94,981)
Balance at December 31, 2022	**$**	**-**
Depreciation		
Balance at December 31, 2020	$	(37,142)
Additions		(12,587)
Balance at December 31, 2021	$	(49,729)
Additions		(12,210)
Disposals		477
Deconsolidation of WPD Poland (Note 7)		61,462
Balance at December 31, 2022	**$**	**-**
Carrying value as at December 31, 2021	**$**	**49,349**
Carrying value as at December 31, 2022	**$**	**-**

7. INVESTMENT

WPD Poland

On December 31, 2022, the Company held 8,000 shares or 19.05% (2021 - 59,384 shares or 100%) of WPD Poland.

During the year, on February 9, 2022, the Company's board of directors (the "Board") approved a plan to restructure (the "Restructuring") the outstanding capitalization of WPD Poland. Due to the occurrence of negative shareholders' equity in WPD Poland, under Polish corporate law, WPD Poland is obligated to convene an extraordinary general meeting of its shareholders to vote on the implementation of a recovery plan or file a bankruptcy proceeding. As the Company is sole shareholder of WPD Poland, the Board has approved a recovery plan of WPD Poland, being the Restructuring.

Under the Restructuring, the first step is that the outstanding share capital of WPD Poland will be reduced through a voluntary redemption of 53,384 shares of WPD Poland by the Company for no cash consideration, which was already effected on February 7, 2022, thereby increasing the supplementary and reserve capitals of WPD Poland. Simultaneously, the Company purchased an additional 2,000 shares of WPD Poland, at a par value of PLN 50 per share, resulting in company continuing to own 100% of the 8,000 shares issued, paid up and outstanding of WPD Poland's paid-up share capital of PLN 400,000.

Under the second step, on November 25, 2022, WPD Poland raised PLN 1.7 million by issuing 34,000 of its common shares to a third party based in the US, an entity which is controlled by a significant shareholder of the Company. This brought down the Company's ownership in WPD Poland to 19.05%.

(Expressed in Canadian Dollars)

7. INVESTMENT (continued)

***WPD Poland* (continued)**

Prior to November 25, 2022, the Company had control over WPD Poland and, as a result, the Company presented the assets, liabilities, certain reserves, and results of operations of WPD Poland in its consolidated financial statements. Accordingly, at November 25, 2022, the Company deconsolidated WPD Poland and recognized a gain on deconsolidation of $4,522,434.

The reconciliation of the gain from loss of control in subsidiary on deconsolidation is as follows:

		Amount
Total assets as of the date of deconsolidation	$	309,109
Total liabilities as of the date of deconsolidation		(3,944,875)
Net assets (liabilities) of the subsidiary at their carrying amounts be derecognized		(3,635,766)
Reclassification of accumulated other comprehensive income to the income statement upon deconsolidation		(975,229)
Change in value of investment retained in the former subsidiary at its fair value at the date of deconsolidation		88,561
Gain from loss of control in subsidiary	**$**	**(4,522,434)**

At December 31, 2022 and November 25, 2022 (the date of deconsolidation), the Company determined that because WPD Poland had no revenues, operations are still at clinical trial stages and no significant identifiable assets, the fair value of its investment was $nil, based on these Level 3 inputs. This loss arising from writing off the Company's net investment in WPD Poland over a period of time up to the deconsolidation date is the primary cause for loss from loss of control in subsidiary recognized in the income statement.

As at December 31, 2022, the Company continued to hold 8,000 shares or 19.05% of WPD Poland. After the de-consolidation, the investment is recorded as an investment measured at fair value under IFRS 9.

(Expressed in Canadian Dollars)

7. INVESTMENT (continued)

***WPD Poland* (*continued*)**

The net loss from WPD Poland is as follows:

		January 1, 2022 to November 25, 2022		January 1, 2021 to December 31, 2021
Expenses				
Administration and supplies	$	75,502	$	261,564
Amortization and depreciation		24,436		290,218
Consultants		1,131,160		3,695,540
Impairment of intangible assets		30,102		440,881
Interest expense		167,520		132,357
Laboratory fees, services, and supplies		21,755		97,452
Research and development recovery		-		(4,304)
Salaries		798,862		1,044,852
Taxes and fees		18,784		70,279
Total expenses		(2,268,121)		(6,028,839)
Other income		1,869,115		1,201,504
Gain on debt forgiveness		-		234,557
Net loss	**$**	**(399,006)**	**$**	**(4,592,778)**

(Expressed in Canadian Dollars)

7. INVESTMENT (continued)

WPD Poland (continued)

The major classes of assets and liabilities of WPD Poland are as follows:

	As at November 25, 2022	As at December 31, 2021
ASSETS		
Current assets		
Cash	$ 202,708	$ 149,598
Restricted cash	(1)	1,407,523
Receivables	42,210	(14,885)
Prepaids and deposits	20,747	55,749
	265,664	1,597,985
Non-current assets		
Right-of-use assets	9,926	15,908
Equipment	33,519	49,349
TOTAL ASSETS	**$ 309,109**	**$ 1,663,242**
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities	$ 823,187	$ 1,307,976
Due to related parties	325,442	674,172
Loans payable	2,023,966	1,027,847
Lease liabilities	10,789	16,255
Deferred grant income	864,135	2,426,694
TOTAL LIABILITIES	4,047,519	5,452,944
Non-current liabilities		
Due (to)/from parent	(102,644)	2,311,101
TOTAL LIABILITIES	**3,944,875**	**7,764,045**
Shareholders' deficiency		
Share capital	2,615,449	710,141
Subscriptions received in advance	503,370	-
Accumulated other comprehensive income	975,229	321,975
Deficit	(7,729,814)	(7,132,919)
TOTAL SHAREHOLDERS' DEFICIENCY	(3,635,766)	(6,100,803)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	**$ 309,109**	**$ 1,663,242**

The following table provides details of the cash flow from operating, investing, and financing activities of WPD Poland:

	January 1, 2022 to November 25, 2022	January 1, 2021 to December 31, 2021
Net cash used in operating activities	$ (3,305,881)	$ (413,062)
Net cash used in investing activities	(39,747)	(70,978)
Net cash provided by financing activities	1,225,462	992,224

(Expressed in Canadian Dollars)

7. INVESTMENT (continued)

Animal Life Sciences

Animal Life Sciences ("ALS") was formed as a limited liability company in the State of Nevada on August 22, 2018. In June 2019, ALS converted from an LLC to a "C Corporation" under the US Tax code and changed its name to Animal Life Sciences Inc. ALS is considered a related party as its controlling shareholder is also a founding shareholder of the Company.

At December 31, 2022 and 2021, the Company determined that because ALS had no operations and no significant identifiable assets, the fair value of its investment was $nil, based on these Level 3 inputs.

8. LOANS PAYABLE

Short-Term Loans

Loans payable movement during the years ended December 31, 2022 and 2021 was as follows:

As at		December 31, 2022		December 31, 2021
Opening balance	$	1,027,847	$	92,456
Loans received		740,074		1,002,096
Accretion		6,931		10,077
Interest expense		151,760		77,315
Forgiveness of debt		-		(234,557)
Repayments		(12,131)		(2,001)
Foreign exchange		109,485		82,461
Deconsolidation of WPD Poland (Note 7)		(2,023,966)		-
Ending balance	$	**-**	$	**1,027,847**

A) During the year ended December 31, 2021, WPD Poland issued a 10% convertible promissory note (the "Note") to LPC Enterprises, a lender based in United States of America for an aggregate of US$ 1,380,000, which is to be received in multiple instalments spread over 2021 and 2022. It has a maturity date of November 15, 2022, but has been extended indefinitely. In 2022, the company received a total of US$600,000 through three instalments (2021 – received total of US$780,000 through seven instalments commencing July 9, 2021). The loan accrues interest at the rate of 10.0% per annum commencing upon receipt of funds by WPD Poland. Interest shall be based on a 365-day year.

Due to the short-term nature of the loan, fair value of this loan approximates the carrying value. The loan was settled in full in March 2023, following the termination of the sub-license agreement with Moleculin (see Note 9 (b)).

The key terms and conditions of the loans are as follows:

(i) The lender may convert the Principal Amount of this Note and all accrued and unpaid interest into Company shares (the "Shares") at a conversion price corresponding to an $8 Million Dollar Company valuation (the "Conversion Price"), which valuation shall be proportionately adjusted for stock splits, stock dividends or similar events.

(Expressed in Canadian Dollars)

8. LOANS PAYABLE (continued)

(ii) If there is a breach of certain conditions by the Company, namely the non-payment of obligations, non-performance of the covenants, bankruptcy or insolvency and termination of the CNS License (referred to as an "Event of Default) and upon notice of occurrence to the Company by the lender of such an Event of Default, the sublicense Agreement by and between the Company and Moleculin Biotech, Inc. effective February 19, 2019 (the "Sublicense Agreement"), will be deemed immediately assigned to the lender without further act, order, or instrument, and all of the Company's rights and obligations under the Sublicense Agreement shall immediately become the rights and obligations of the lender.

(iii) In the event of any transaction or reorganization of WPD Poland, the lender is entitled to have the right to receive, for each share that would have been issuable upon such conversion immediately prior to the occurrence of such transaction, at the option of the lender, the number of Shares of the successor or acquiring corporation or of WPD Poland.

(iv) There are various financial and non-financial covenants of the loan, in which the key financial covenant requires WPD Poland to maintain a minimum cash balance of US$ 100,000 ($133,574) as long as the loan is outstanding and does not permit WPD Poland to issue any common shares or share equivalents at a price corresponding to a valuation that is less than US$8 Million Dollars without prior approval of the lender.

B) During the year ended December 31, 2020, WPD received $106,626 (PLN 307,800) from the Polish government's COVID-19 assistance program ("COVID-19 Contribution"). The funds were provided to help fight the effects of COVID-19 on employment and business activities and were received by the Company's wholly owned Polish subsidiary, WPD Poland. The COVID-19 Contribution is interest-free and is partially a grant and partially a loan, depending on what level of activity and employment the Company maintained over the next 12 months.

On October 31, 2021, the amount of the COVID-19 Contribution to be repaid was determined to be $24,134 (PLN 76,950) to be repaid in 24 monthly equal instalments commencing in November 2021. As a result, included in gain on debt forgiveness is $72,035 during the year ended December 31, 2021. During the year ended December 31, 2022, the Company repaid $12,131 (2021 - $2,001) of this outstanding amount.

During the year ended December 31, 2021, certain lenders agreed to forego their outstanding loan balances, thereby resulting in gain on debt forgiveness of $162,542 recorded in the books.

During the year ended December 31, 2022, the Company recognized an accretion cost of $6,931 prior to deconsolidation of WPD Poland (2021 - $8,567) relating to the imputed interest benefit received from the interest-free COVID-19 Contribution in 2020.

As at		December 31, 2022		December 31, 2021
Unamortized discount, opening balance	$	16,906	$	25,473
Accretion		(6,931)		(8,567)
Deconsolidation of WPD Poland (Note 7)		(9,975)		-
Unamortized discount, closing balance	**$**	**-**	**$**	**16,906**

(Expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Board and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer.

Key management compensation for the years ended December 31, 2022 and 2021 was as follows:

		December 31, 2022		December 31, 2021
Consultants	$	45,630	$	864,855
Salaries		31,991		39,122
Management and consulting fees		51,500		213,600
Share-based payments		-		42,110
Director fees		7,500		18,000
	$	**136,621**	**$**	**1,177,687**

As at December 31, 2022, current liabilities include $214,432 (December 31, 2021 – $831,654) payable to key management personnel and other related parties. Amounts due to related parties included in accounts payable and accrued liabilities and in due to related parties are unsecured, non-interest-bearing and are without fixed terms of repayment.

During the years ended December 31, 2022 and 2021, the Company also had the following transactions with related parties:

a) CNS Agreements

On August 30, 2018, WPD Poland entered into a sublicense agreement (the "CNS Sublicense Agreement") with CNS Pharmaceuticals, Inc. ("CNS Pharma"). In connection, WPD Poland is committed to spend at least US $2 million on the development, testing, regulatory approval, or commercialization of the products governed under the CNS License Agreement by August 30, 2021. On December 23, 2021, CNS confirmed that WPD Poland spent the committed amount, and as such, WPD Poland is entitled to maintain its sublicense in perpetuity of Berubicin subject to the ongoing obligations under the CNS Agreement. The Company's sub-license of Berubicin allows it geographic exclusivity for development and marketing in a region consisting of select countries in Eastern Europe and Central Asia. WPD Poland has no further spending commitments under this agreement.

CNS Pharma is a related party due to its founder and controlling shareholder being a significant shareholder of the Company.

b) Moleculin Sublicense Agreement

On February 19, 2019, WPD Poland entered into a sublicense agreement (the "Moleculin Sublicense Agreement") with Moleculin Biotech, Inc. ("Moleculin"), under which Moleculin sublicensed certain intellectual property rights to WPD, including rights to certain products. In consideration for sublicensing rights provided, the Company, through WPD Poland, agreed to make expenditure of at least: (i) USD $2,500,000 during the first two years of the agreement on the research, development and commercialization of products in the licensed territories, and (ii) USD $1,000,000 annually for the two years thereafter on the research and development of products in the licensed territories.

9. RELATED PARTY TRANSACTIONS (continued)

b) Moleculin Sublicense Agreement (continued)

On March 22, 2021, these durations of these terms were extended to first 4 years and annually in each of the 4 years thereafter respectively, along with a process to extend the period of time further, if necessary.

On December 19, 2021, WPD Poland entered into a consent agreement (the "Consent") with Moleculin and LPC Enterprises, LLC ("LPC"), whereby Moleculin consented to the potential assignment ("Assignment") by WPD Poland to LPC of WPD Poland's rights, and the assumption of LPC of the duties and obligations of WPD Poland, under the Sublicense Agreement. The Consent was granted by Moleculin in connection with a convertible promissory note (the "Note") issued by WPD Poland to LPC in the principal amount of USD $1,380,000 (see Note 8 above). Moleculin, however, is not a party to the Note.

On December 20, 2021, WPD Poland entered into an amendment of its February 2019 sublicense (as amended previously in 2019 and 2021) from Moleculin of certain intellectual property rights, including certain rights to Moleculin's Annamycin, WP1066 and WP1122 portfolios to research, develop, manufacture, use, import, offer and sell products derived from these portfolios in the field of human therapeutics ("Products") in 29 countries, including some countries in Europe (the "Territories").

In consideration of the Moleculin sublicense, WPD Poland agreed to use commercially reasonable efforts to develop and commercialize Products in the Territories. The amended agreement provides that, in respect of "commercially reasonable development efforts" ("CRDE"), WPD Poland must spend certain minimum amounts during the first 4 years and the 5 years thereafter on the research, development and commercialization of Products.Accordingly, the total minimum required CRDE is now USD $13,000,000, amended from USD $6,500,000.

On March 20, 2023, the Company signed a sublicense termination agreement with Moleculin, under which Moleculin will pay WPD Poland (or its designees) US$700,000 and will also issue to WPD Poland (or its designees) certain number of shares of Moleculin's common stock equal to US$800,000. These final settlement considerations upon termination were not paid to WPD Poland, instead were paid directly to LPC in full and final settlement of their loan to WPD Poland (see Note 8(A)). WPD Poland has no further spending commitments under this agreement following the termination in March 2023.

Moleculin is a related party due to its founder being a significant shareholder of the Company.

10. SHAREHOLDERS' DEFICIENCY

Authorized

The Company is authorized to issue an unlimited number of voting common shares without par value.

Issued share capital

As at December 31, 2022, the Company has 113,438,244 (December 31, 2021 – 113,438,244) common shares issued and outstanding.

There were no shares issued during the years ended December 31, 2022 and 2021.

(Expressed in Canadian Dollars)

10. SHAREHOLDERS' DEFICIENCY (continued)

Stock Options

The Company adopted an incentive stock option plan (the "Plan"), which provides that the Board of Directors of the Company may from time to time, at its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees, and consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Stock options and charitable options will be exercisable for a year of up to 10 years from the date of grant. Options granted the Plan vest immediately or over a period of time at the discretion of the Board of Directors.

In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised no later than 90 days, or, in the case of an optionee providing investor relations activities, the 30th day following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or consulting arrangement was by reason of death, the option may be exercised within a maximum year of six months after such death, subject to the expiry date of such option.

There were no stock options granted during the years ended December 31, 2022 and 2021.

The following table summarizes the Company's stock options activity during the years ended December 31, 2022 and 2021:

	Number of options		Weighted average exercise price	Weighted average remaining life (years)
Outstanding, December 31, 2020	8,475,000	$	0.89	3.26
Expired	(1,800,000)		0.95	-
Cancelled	(2,090,000)		0.90	-
Outstanding, December 31, 2021	4,585,000	$	0.86	3.14
Outstanding, December 31, 2022	4,585,000	$	0.89	1.35

As at December 31, 2022, the Company had the following options outstanding:

Expiry date	**Number of options outstanding**	**Number of options Exercisable**	**Weighted Average Exercise Price ($)**	**Weighted Average Remaining Life (Years)**
January 13, 2025	3,585,000	2,585,000	0.86	1.21
March 13, 2025	500,000	-	0.86	1.37
November 4, 2025	500,000	270,833	0.86	2.01
	4,585,000	**3,855,833**	**0.86**	**1.35**

During the year ended December 31, 2022, the Company recorded share-based payments expense of $44,177 (2021 – $159,127) in relation to the vesting of stock options.

(Expressed in Canadian Dollars)

10. SHAREHOLDERS' DEFICIENCY (continued)

Warrants

The following table summarizes the Company's warrant activity during the years ended December 31, 2022 and 2021:

	Number of Warrants	Weighted Average Exercise Price ($)
Outstanding, December 31, 2020	2,357,142	0.5
Expired	(2,357,142)	0.5
Outstanding, December 31, 2022 and 2021	-	-

11. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use Assets

Cost		
At December 31, 2020	$	144,094
Deletion upon expiry of lease		(121,168)
At December 31, 2021		22,926
Deconsolidation of WPD Poland (Note 7)		(22,926)
At December 31, 2022	**$**	**-**
Depreciation		
At December 31, 2020		(121,168)
Additions		(7,018)
Deletion upon expiry of lease		121,168
At December 31, 2021	$	(7,018)
Additions		(5,982)
Deconsolidation of WPD Poland (Note 7)		13,000
At December 31, 2022	**$**	**-**
Net book value		
At December 31, 2021	**$**	**15,908**
At December 31, 2022	**$**	**-**

The Company has right-of-use-assets and lease liabilities for a vehicle. The incremental borrowing rate for the Company at January 1 and through December 31, 2021 and for the year ended December 31, 2022 is 5%.

Depreciation of right-of-use assets is calculated using the straight-line method over the remaining lease team.

(Expressed in Canadian Dollars)

11. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

Lease liabilities

		Premises and equipment
At December 31, 2020	$	22,926
Lease payments		(7,871)
Interest expense		937
Cumulative translation adjustment		263
At December 31, 2021	$	16,255
Lease payments		(5,851)
Interest expense		483
Cumulative translation adjustment		(98)
Deconsolidation of WPD Poland (Note 7)		(10,789)
At December 31, 2022	**$**	**-**

12. OTHER INCOME

Included in the Company's other income for the year ended December 31, 2022 is an amount of $1,757,763 (2021 – $1,160,114) that relates to funds received from government grants.

As of December 31, 2022, the Company received prepayments of $Nil (2021 - $2,426,694 (PLN 7,737,342)) from the Polish National Center for Research and Development ("NCRD") for the further development of projects WPD 104 and WPD101, the Company's drug candidates targeting glioblastoma.

The amount recorded as deferred grant income as at December 31, 2022 includes $Nil (December 31, 2021 - $1,407,523) that is segregated in separate bank accounts from the rest of the Company's working capital and is classified as restricted cash. This cash is only to be used for qualifying expenditures under the terms of the related grants.

13. DEFERRED INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

		2022		2021
Income (loss)	$	3,857,449	$	(5,623,150)
Expected income tax (expense) recovery	$	1,042,000	$	(1,518,000)
Change in statutory, foreign tax, foreign exchange rates, and other		31,000		364,000
Permanent differences		(1,209,000)		100,000
Deconsolidation of subsidiary		1,813,000		-
Adjustment to prior years provision versus statutory tax returns		-		5,000
Change in unrecognized deductible temporary differences		(1,677,000)		1,049,000
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

(Expressed in Canadian Dollars)

13. DEFERRED INCOME TAXES (continued)

The significant components of the Company's deferred tax assets that have not been included in the consolidated statement of financial position are as follows:

		2022		2021
Deferred tax assets (liabilities)				
Property and equipment	$	-	$	11,000
Share issue costs		-		-
Marketable securities		-		-
Intangible assets		-		204,000
Non-capital losses available for future period		670,000		2,132,000
		670,000		2,347,000
Unrecognized deferred tax assets		(670,000)		(2,347,000)
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2022	Expiry Date Range	2021	Expiry Date Range
Temporary Differences				
Property and equipment	1,000	No expiry date	57,000	No expiry date
Intangible assets	-	Not applicable	1,074,000	No expiry date
Non-capital losses available for future periods	2,481,000	See below	10,271,000	See below
Canada	2,481,000	2039 to 2042	2,260,000	2039 to 2041
Poland	-	2022 to 2025	8,011,000	2022 to 2026

Tax attributes are subject to review, and potential adjustment, by tax authorities.

14. SEGMENT INFORMATION

The Company operated in one reportable operating segment until November 25, 2022 (the date of de-consolidation of WPD Poland), being the research and development of innovative medicinal products in the field of oncology and virology. There are no long-lived assets as at December 31, 2022 (2021 - All of the Company's long-lived assets are located in Poland).

15. FINANCIAL AND CAPITAL RISK MANAGEMENT

Fair value

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

15. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Fair value (continued)

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Quoted market prices for an identical asset or liability represent a Level 1 valuation. When quoted market prices are not available, the Company maximizes the use of observable inputs within valuation models.

When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the use of significant unobservable inputs are considered Level 3.

The carrying value of receivables, accounts payable and accrued liabilities and loans payable approximates fair value due to the short-term nature of the financial instruments. Cash and restricted cash are valued at a Level 1 fair value measurement and is classified as fair value through profit or loss. Receivables are classified as amortized cost. Accounts payable and accrued liabilities, and loan payable are classified as other financial liabilities. Investments are measured at fair value using Level 3 inputs.

The significant unobservable inputs used in the fair value measurement of investment in WPD Poland categorized within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at December 31, 2022 are shown below:

Timing of future cash outflows and inflows – assumption - expected within the next 29 years: The timing of future cash outflows and inflows is dependent on several factors, some of which are outside the control of the Company.

Discount rate – assumption – 14% - 14.5%: This discount rate is a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to WPD Poland.

Weighted average cost of capital ("WACC") – assumption - 14% - 15.5%:

Risk management

<u>Financial instruments</u>

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and receivables. The Company's receivables are primarily due to other receivables and value added taxes. The Company limits its exposure to credit loss by placing its cash with major financial institutions. Credit risk with respect to value added taxes is minimal as the amounts are due from government agencies.

The Company has no investment in asset backed commercial paper.

15. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Risk management (continued)

Financial instruments (continued)

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2022, the Company had a working capital deficit of $478,792 (2021 – working capital deficit of $4,123,700). The Company does not generate revenue and will be reliant on external financing to fund operations and repay the debt. Debt and equity financing are dependent on market conditions and may not be available on favorable terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

As at December 31, 2022, the Company has cash balances which are interest bearing. Interest income is not significant to the Company's projected operational budget and related interest rate fluctuations are not significant to the Company's risk assessment.

The Company's loans payable are interest-bearing debt at a fixed rate and therefore not subject to interest rate risk.

b) Foreign currency risk

The Company's foreign currency risk exposure relates to net monetary assets denominated in US Dollar. A 10% change in the foreign exchange rate for the years ended December 31, 2022 between the Canadian and US Dollar would result in a fluctuation of approximately $9,278 in comprehensive loss. The Company does not currently engage in hedging activities.

c) Price risk

The Company is not exposed to any price risk.

Capital management

The Company considers its capital to include loans payable and the components of shareholders' deficiency. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favorable terms. Future financings are dependent on market conditions and the ability to identify sources of investment. There can be no assurance the Company will be able to raise funds in the future.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2022. The Company is not subject to externally imposed capital requirements.

16. COMMITMENTS

The Company has no commitments as at December 31, 2022 and the following commitments as at December 31, 2021, all of which relates to WPD Poland:

- The Company has no further spending commitments under the terms of the Wake Forest License Agreement;
- The Company has no further spending commitments outlined in the Moleculin Sublicense Agreement as outlined in Note 9 following the termination of that agreement in March 2023;
- The Company has no further spending commitments outlined in the CNS Sublicense Agreement as outlined in Note 9;
- The Company was party to a cost sharing agreement with Warsaw University for shared usage of space and medical equipment that extended to September 30, 2022 for usage of a seminar room and office respectively; at a rate of PLN 3,141 and PLN 90 / square meter plus applicable Value Added Tax ("VAT") respectively.

17. SUBSEQUENT EVENTS

On June 2, 2023, the Company announced the closing of private placement (the "Private Placement") of unsecured convertible debentures (the "Debentures") pursuant to which the Company raised an aggregate principal amount of $300,000. Each Debenture is convertible into units of the Company (each, a "Unit") at a conversion price of $0.05 per Unit. Each Unit will consist of one common share and one share purchase warrant exercisable to purchase one additional common share at a price of $0.05 for three years from the date of issuance of the Unit. The Debentures bear interest at the rate of 18% per annum compounded monthly until maturity and after default. The Debentures will mature on June 2, 2026.

Subsequent to December 31, 2022, the Company forfeited 1,195,000 stock options.