WPD Pharmaceuticals Inc.

Financial Statements
For the years ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
WPD Pharmaceuticals Inc.

Opinion

We have audited the accompanying financial statements of WPD Pharmaceuticals Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of income (loss) and comprehensive income (loss), changes in cash flows, and shareholders' deficiency for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 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 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 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 financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our auditor's report.

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 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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 Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

May 7, 2024

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

	Note		As at December 31, 2023		As at December 31, 2022
ASSETS					
Current assets					
Cash		$	85,861	$	23,794
Receivables	4		32,573		52,056
Prepaids and deposits			3,500		-
			121,934		75,850
NON CURRENT ASSETS					
Investment	7		224,473		-
TOTAL ASSETS		**$**	**346,407**	**$**	**75,850**
LIABILITIES AND SHAREHOLDERS' DEFICIENCY					
Current liabilities					
Accounts payable and accrued liabilities	8	$	582,290	$	538,465
Due to related parties	11		16,177		16,177
TOTAL CURRENT LIABILITIES			**598,467**		**554,642**
Non-current liabilities					
Convertible debentures	9		303,898		-
TOTAL LIABILITIES			**902,365**		**554,642**
Shareholders' deficiency					
Share capital	12	$	17,084,266	$	17,084,266
Reserves	12		4,369,929		4,369,929
Equity compnent of convertible debentures	9		2,916		-
Deficit			(22,013,069)		(21,932,987)
TOTAL SHAREHOLDERS' DEFICIENCY			**(555,958)**		**(478,792)**
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		**$**	**346,407**	**$**	**75,850**

Nature and continuance of operations (Note 1)
Subsequent events (Note 19)

Approved and authorized by the Board of Directors on May 6, 2024.

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

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

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

		Year ended December 31,	
	Notes	**2023**	**2022**
Expenses			
Administration and supplies		$ 4,834	$ 80,344
Amortization and depreciation	5, 6, 9, 13	6,314	24,436
Consultants		100,395	1,131,160
Foreign exchange loss (gain)		(7,117)	11,508
Impairement of intangible assets	5	-	30,102
Interest expense	9	33,335	167,520
Lab fees, services and supplies		-	21,755
Management and director fees		-	59,000
Professional fees		122,016	93,652
Regulatory, transfer agent and shareholder info		9,584	57,052
Salaries		-	798,862
Share-based payments		-	44,177
Taxes and fees		-	18,784
Total expenses		(269,361)	(2,538,352)
Other items			
Gain from loss of control in subsidiary	7	-	4,522,434
Change in fair value of investment	7	224,473	-
Other income		-	1,873,367
Other expense		(9,789)	-
Write off of payables	8	6,673	-
Write off of GST receivable	4	(32,078)	-
Net income (loss) for the year		**(80,082)**	**3,857,449**
Foreign exchange translation adjustment		-	(321,975)
Total comprehensive income (loss) for the year		**(80,082)**	**3,535,474**
Income (loss) per share - basic and diluted		**$ (0.00)**	**$ 0.03**
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 financial statements.

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

		Years ended December 31, 2023		2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss) for the year	$	(80,082)	$	3,857,449
Items not affecting cash:				
Amortization and depreciation		6,314		24,436
Write off of payables		(6,673)		-
Other expense		9,789		-
Write off of receivables		32,078		-
Gain from loss of control in subsidiary		-		(4,522,434)
Change in fair value of investment		(224,473)		-
Impairment of intangible assets		-		30,102
Interest expense		33,335		167,520
Share-based payments		-		44,177
Non-cash working capital item changes:				
Receivables		(12,595)		(60,412)
Prepaids and deposits		(3,500)		35,002
Accounts payable and accrued liabilities		40,709		(415,358)
Due to related parties		-		(1,027,128)
Deferred grant income		-		(1,562,559)
Net cash used in operating activities		(205,098)		(3,429,205)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of intangibles		-		(36,346)
Cash eliminated on deconsolidation		-		(202,707)
Net cash used in investing activities		-		(239,053)
CASH FLOWS FROM FINANCING ACTIVITIES				
Subscriptions received		-		503,370
Lease payments		-		(5,851)
Proceeds from loans		-		740,074
Repayment of loans		-		(12,131)
Net proceeds from convertible debentures		267,165		-
Net cash provided by financing activities		267,165		1,225,462
Change in cash for the year		62,067		(2,442,796)
Effect of foreign exchange on cash		-		757,915
Cash, beginning of the year		23,794		1,708,675
Cash, end of the year	**$**	**85,861**	**$**	**23,794**
SUPPLEMENTARY CASH FLOW INFORMATION				
Transaction cost relating to convertible debentures remaining to be amortized over the remaining term of these debentures	$	25,438	$	-
Interest paid in cash	$	-	$	-
Taxes paid in cash	$	-	$	-
Decrease in right-of-use asset	$	-	$	(5,982)

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

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

	Share Capital						
	Number	Amount	Reserves	Equity component of convertible debentures	Cumulative transaction adjustment	Deficit	Total
Balance, 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
Net 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)**
Equity portion of convertible debentures	-	-	-	2,916	-	-	2,916
Net loss for the year	-	-	-	-	-	(80,082)	(80,082)
Balance at December 31, 2023	**113,438,244**	**$ 17,084,266**	**$ 4,369,929**	**$ 2,916**	**$ -**	**$ (22,013,069)**	**$ (555,958)**

The accompanying notes are an integral part of these 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. During the year ended December 31, 2022, the Company was determined to have lost control of the previously consolidated subsidiary WPD Pharmaceuticals Sp. Z.o.o. ("WPD Poland") on November 25, 2022 ("Date of Deconsolidation") (Note 7) and has been deconsolidated accordingly effective that date. Accordingly, the results for the year ended December 31, 2022 includes the Company's results and the results of WPD Poland up to the Date of Deconsolidation.

The Company is listed on the Canadian Securities Exchange (the "Exchange") under the symbol "WBIO". The Company is currently not carrying on any active business since the Date of Deconsolidation. Prior to that, the Company operated its business primarily through WPD Poland, the operating branch of the Company and a subsidiary until November 25, 2022. WPD Poland is a biotechnology research and development company with a focus on oncology, namely research and development of medicinal products involving biological compounds and small molecules.

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

These financial statements have been prepared in accordance with IFRS Accounting Standards 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, 2023, the Company had a net loss of $80,082 (December 31, 2022 - net income of $3,857,449) and, as of that date, the Company had a working capital deficit of $476,533 (December 31, 2022 – working capital deficit of $478,792). 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 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. Such adjustments may be material. 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 financial statements, including comparatives have been prepared using accounting policies consistent with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Basis of Consolidation

The Company's financial statements include the accounts of the Company (December 31, 2022 – the Company and its wholly owned subsidiary, WPD Poland up to the Date of Deconsolidation). 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 financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are carried at fair value. In addition, these 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 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, whose results are included up to the Date of Deconsolidation in 2022, 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.

Material 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)

Material 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 6.91% (2022 - 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 the Company. However, this shareholder does not actively participate in any of the activities of the Company, neither is an officer or on the board of the Company nor have any nominee director as their representative. Accordingly, this shareholder has no direct or indirect involvement with the Company other than the shareholding. In the absence of any current indications of any change to their status for the Company, it is expected that this shareholding may probably diminish further. Accordingly, management currently feels it is highly unlikely for the Company 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 a recent financing price.

Government assistance - grant income
Pursuant to the terms of the grant from the National Centre of Research and Development ("NCRD") to WPD Poland in Poland prior to the Date of Deconsolidation, WPD Poland has met certain terms and conditions to qualify for the grant funding. The Company had therefore recognized during 2022 in the income statement under other income, grant payments received which are reimbursements for expenditures the Company has incurred up to the Date of Deconsolidation 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 WPD Poland has met these relevant conditions attached to grants received. Some of the conditions in these agreements relate to future and requires it to progress the project as per their 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 NCRD for compliance with the grant regulations which may result in certain expenses being denied.

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.

2. BASIS OF PREPARATION (continued)

Material Accounting Judgments and Estimates (continued)

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. MATERIAL ACCOUNTING POLICIES

In February 2021, the IASB issued amendments to IAS 1 and the IFRS PS 2, Making Materiality Judgements, to provide guidance on the application of materiality judgments to accounting policy disclosures. The amendments to IAS 1 replace the requirement to disclose “significant” accounting policies with a requirement to disclose “material” accounting policies. The standard was adopted by the Company on January 1, 2023.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated.

Convertible debentures

The component parts of convertible debentures issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company’s own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the debenture’s maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument, i.e. the convertible debentures, as a whole. This is recognized and included in equity and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case the balance recognized in equity will be transferred to other reserves within shareholders’ deficiency. Where the conversion option remains unexercised at the maturity date of the convertible debentures, the balance recognized in equity will be transferred to deficit. No gain or loss is recognized in the statement of loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible debentures are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible debentures.

3. MATERIAL ACCOUNTING POLICIES (continued)

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.

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.

3. MATERIAL ACCOUNTING POLICIES (continued)

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	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
Convertible debentures	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.

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.

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(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 owned intangible assets up to the Date of Deconsolidation 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.

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 used 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 was to be applied. The Company continually assessed the expected benefit provided from these patents as it performed research in order to make these estimates.

3. MATERIAL ACCOUNTING POLICIES (continued)

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.

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.

3. MATERIAL ACCOUNTING POLICIES (continued)

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.

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.

(Expressed in Canadian Dollars)

3. MATERIAL ACCOUNTING POLICIES (continued)

Stock-based compensation (continued)

(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. RECEIVABLES

		December 31, 2023		December 31, 2022
Tax receivables	$	32,573	$	52,056

Tax receivables are comprised of GST in Canada. During the year ended December 31, 2023, the Company wrote off $32,078 in relation to legacy GST account balances.

5. INTANGIBLE ASSETS

Cost		
Balance at December 31, 2021	$	1,055,014
Additions		36,346
Deconsolidation of WPD Poland (Note 7)		(1,091,360)
Balance at December 31, 2023 and 2022	$	-
Amortization		
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, 2023 and 2022	$	-
Carrying value as at December 31, 2023 and 2022	**$**	**-**

On November 28, 2017 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.

(Expressed in Canadian Dollars)

5. INTANGIBLE ASSETS (continued)

Impairment of intangible assets
During the year ended December 31, 2022, based on the progress of the research and development work, no future economic benefits was expected to flow to the Company and were considered impaired.

6. EQUIPMENT

Cost		
Balance at December 31, 2021	$	99,078
Disposals		(477)
Cumulative translation adjustment		(3,620)
Deconsolidation of WPD Poland (Note 7)		(94,981)
Balance at December 31, 2023 and 2022	$	-
Amortization		
Balance at December 31, 2021	$	(49,729)
Additions		(12,210)
Disposals		477
Deconsolidation of WPD Poland (Note 7)		61,462
Balance at December 31, 2023 and 2022	$	-
Carrying value as at December 31, 2023 and 2022	**$**	**-**

7. INVESTMENT

WPD Poland

On December 31, 2023, the Company held 8,000 shares or 6.91% (December 31, 2022 - 8,000 shares or 19.05%) of WPD Poland.

During the previous 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 was sole shareholder of WPD Poland on February 9, 2022, the Board approved a recovery plan of WPD Poland, being the Restructuring.

Under the Restructuring, the first step was that the outstanding share capital of WPD Poland was reduced through a voluntary redemption of 53,384 shares of WPD Poland by the Company for no cash consideration, which was 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 as of that date 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 31,2023 and December 31,2022, the Company determined that its investment in WPD Poland had a fair value of $224,473, based on Level 2 inputs (December 31, 2022 - $Nil, based on Level 3 inputs).

In 2023, WPD Poland further issued 73,698 shares to various third parties, thereby reducing the Company’s ownership to 6.91%.

The net loss from WPD Poland being consolidated into the Company’s profit and loss up to the Date of Deconsolidation is as follows:

		January 1, 2022 to November 25, 2022
Expenses		
Administration and supplies	$	75,502
Amortization and depreciation		24,436
Consultants		1,131,160
Impairment of intangible assets		30,102
Interest expense		167,520
Laboratory fees, services, and supplies		21,755
Salaries		798,862
Taxes and fees		18,784
Total expenses		(2,268,121)
Other income		1,869,115
Net loss	**$**	**(399,006)**

(Expressed in Canadian Dollars)

7. INVESTMENT (continued)

WPD Poland (continued)

The major classes of assets and liabilities of WPD Poland at the Date of Deconsolidation are as follows:

		As at November 25, 2022
ASSETS		
Current assets		
Cash	$	202,708
Restricted cash		(1)
Receivables		42,210
Prepaids and deposits		20,747
		265,664
Non-current assets		
Right-of-use assets		9,926
Equipment		33,519
TOTAL ASSETS	**$**	**309,109**
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities	$	823,187
Due to related parties		325,442
Loans payable		2,023,966
Lease liabilities		10,789
Deferred grant income		864,135
TOTAL LIABILITIES		4,047,519
Non-current liabilities		
Due (to)/from parent		(102,644)
TOTAL LIABILITIES		**3,944,875**
Shareholders' deficiency		
Share capital		2,615,449
Subscriptions received in advance		503,370
Accumulated other comprehensive income		975,229
Deficit		(7,729,814)
TOTAL SHAREHOLDERS' DEFICIENCY		(3,635,766)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	**$**	**309,109**

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

		January 1, 2022 to November 25, 2022
Net cash used in operating activities	$	(3,305,881)
Net cash used in investing activities		(39,747)
Net cash provided by financing activities		1,225,462

(Expressed in Canadian Dollars)

8. ACCOUNTS PAYABLE

		December 31, 2023		December 31, 2022
Accounts payable	$	532,827	$	452,188
Accrued liabilities		33,500		70,314
Accrued interest		15,963		15,963
	$	**582,290**	**$**	**538,465**

During the year ended December 31, 2023, the Company wrote off $6,673 (December 2022 - $Nil) in relation to legacy account payable balances.

9. CONVERTIBLE DEBENTURES

Balance, at December 31, 2022 and 2021	$	-
Fair value of convertible debentures		296,726
Tansaction costs		(32,477)
Interest		33,335
Amortization of tranaction costs		6,314
Balance, at December 31, 2023	**$**	**303,898**

<u>Convertible debentures</u>

On June 2, 2023, the Company closed a private placement (the "Private Placement") of unsecured convertible debentures (the "Debentures") pursuant to which the Company raised an aggregate principal amount of $300,000. The Debentures bear interest at the rate of 18% per annum compounded monthly until maturity and after default until the principal amount and all accrued interest on the principal amount is repaid in full or the purchased debenture is converted in its entirety. The fair value of the convertible debentures was $296,726 calculated by discounting the future cash payments at a market rate of 20%. The company also incurred transaction costs of $32,835 in relation to issuance of these convertible debentures, which has been allocated to debt and equity portions of convertible debentures amounting to $32,477 and $358, respectively. During the year ended December 31, 2023, $6,314 (December 31, 2022 - $Nil) of these transaction costs has been amortized in profit and loss.

Interest includes $382 (December 31,2022 - $Nil) of interest accretion costs.

The principal amount and all interest accrued under the purchased debenture will be convertible at the sole option of the subscriber at any time while any balance remains outstanding, for no additional consideration, in whole or in part, into units (each a "Conversion Unit") at a conversion price (the "Conversion Price") of $0.05 per Conversion Unit, subject to compliance with applicable Canadian Securities Exchange policies. Each Conversion 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 will mature on June 2, 2026.

(Expressed in Canadian Dollars)

10. LOANS PAYABLE

Loans payable movement during the years ended December 31, 2023 and 2022 was as follows:

As at		December 31, 2023		December 31, 2022
Opening balance	$	-	$	1,027,847
Fair value of loans received		-		740,074
Accretion		-		6,931
Interest expense		-		151,760
Repayments		-		(12,131)
Foreign exchange		-		109,485
Deconsolidation of WPD Poland (Note 1)		-		(2,023,966)
Ending balance	**$**	-	**$**	-

<u>Short-Term Loans</u>

A) During the year ended December 31, 2021, WPD Poland issued a 10% convertible promissory note (the "Note") to LPC Enterprises, LLC, 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, WPD Poland received a total of US$600,000 through three instalments. 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.

Subsequent to the Date of Deconsolidation, the loan was settled in full in March 2023, following the termination of the sub-license agreement with Moleculin (see Note 11 (a)).

B) During the year ended December 31, 2020, WPD Poland 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, 2023, the Company repaid $Nil (December 31, 2022 - $12,131) of this outstanding amount.

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

As at		December 31, 2023		December 31, 2022
Unamortized discount, opening balance	$	-	$	16,906
Accretion		-		(6,931)
Deconsolidation of WPD Poland (Note 7)		-		(9,975)
Unamortized discount, closing balance	**$**	-	**$**	-

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS

Key management personnel include those people who have 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, 2023 and 2022 was as follows:

		Year ended December 31, 2023		Year ended December 31, 2022
Consultants	$	-	$	45,630
Salaries		-		31,991
Management and consulting fees		-		51,500
Director fees		-		7,500
	$	**-**	**$**	**136,621**

As at December 31, 2023, current liabilities include $214,432 (December 31, 2022 – $214,432) 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, 2023 and 2022, the Company also had the following transactions with related parties:

a) Moleculin Sublicense Agreement

WPD Poland entered into a sublicense agreement (the "Moleculin Sublicense Agreement") with Moleculin Biotech, Inc. ("Moleculin") on February 19, 2019, and amended on March 22, 2021 and December 20, 2021, under which Moleculin sublicensed certain intellectual property rights to WPD, including rights to certain products. In consideration for sublicensing rights provided, WPD Poland agreed to make certain amount of expenditure of during the first four years of the agreement on the research, development and commercialization of products in the licensed territories, and an additional amount annually for the four years thereafter on the research and development of products in the licensed territories. The amended agreement also increased the threshold for certain minimum amounts spent during the first 4 years and the 5 years thereafter on the research, development and commercialization of products, in respect of "commercially reasonable development efforts" ("CRDE") by WPD Poland. Accordingly, the total minimum required CRDE increased to USD $13,000,000, amended from USD $6,500,000.

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 10(A) above). Moleculin, however, is not a party to the Note.

11. RELATED PARTY TRANSACTIONS (continued)

a) Moleculin Sublicense Agreement (continued)

On March 20, 2023, WPD Poland 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 10(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.

12. 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, 2023, the Company has 113,438,244 (December 31, 2022 – 113,438,244) common shares issued and outstanding.

There were no shares issued during the years ended December 31, 2023 and 2022.

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, 2023 and 2022.

(Expressed in Canadian Dollars)

12. SHAREHOLDERS' DEFICIENCY (continued)

Stock Options (continued)

The following table summarizes the Company's stock options activity during the years ended December 31, 2023 and 2022:

	Number of options		Weighted average exercise price	Weighted average remaining life (years)
Outstanding, December 31, 2021	4,585,000		0.86	3.14
Outstanding, December 31, 2022	4,585,000	$	0.86	1.35
Cancelled	(2,070,000)		0.86	-
Outstanding, December 31, 2023	**2,515,000**	**$**	**0.86**	**1.20**

As at December 31, 2023, the Company had the following options outstanding:

Expiry date	Number of options outstanding	Number of options exercisable	Weighted average exercise price ($)	Remaining life of options (Years)
January 13, 2025	2,015,000	2,015,000	0.86	1.04
November 4, 2025	500,000	500,000	0.86	1.85
	2,515,000	**2,515,000**	**0.86**	**1.20**

During the year ended December 31, 2023, the Company recorded share-based payments expense of $Nil (December 31, 2022 – $44,177) in relation to the vesting of stock options.

13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use Assets

Cost		
Balance at December 31, 2021	$	22,926
Deconsolidation of WPD Poland (Note 7)		(22,926)
Balance at December 31, 2023 and 2022	$	-
Depriciation		
Balance at December 31, 2021	$	(7,018)
Additions		(5,982)
Deconsolidation of WPD Poland (Note 7)		13,000
Balance at December 31, 2023 and 2022	$	-
Net book value		
At December 31, 2023 and 2022	**$**	**-**

WPD Poland 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, 2022 is 5%.

(Expressed in Canadian Dollars)

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

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

Lease liabilities

		Premises and equipment
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, 2023 and 2022	$	-

14. OTHER INCOME

Included in the Company's other income for the year ended December 31, 2023 is an amount of $Nil (December 31, 2022 – $1,757,763) that relates to funds received from government grants in WPD Poland.

15. INCOME TAXES

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

		2023		**2022**
Income (loss)	$	(80,082)	$	3,857,449
Expected income tax (expense) recovery	$	(22,000)	$	1,042,000
Change in statutory, foreign tax, foreign exchange rates, and other		-		31,000
Permanent differences		(30,000)		(1,209,000)
Deconsolidation of subsidary		-		1,813,000
Adjustment to prior years provision versus statutory tax returns		-		-
Change in unrecognized deductible temporary differences		52,000		(1,677,000)
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

(Expressed in Canadian Dollars)

15. DEFERRED INCOME TAXES (continued)

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

		2023		2022
Deferred tax assets (liabilities)				
Property and equipment	$	-	$	-
Marketable securities		(30,000)		-
Intangible assets		-		-
Debt with accretion		1,000		-
Non-capital losses		751,000		670,000
		722,000		670,000
Unrecognized deferred tax assets		(722,000)		(670,000)
Net deferred tax assets (liabilities)	**$**	**-**	**$**	**-**

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

	2023	Expiry Date Range	2022	Expiry Date Range
Temporary Differences				
Property and equipment	1,000	No expiry date	1,000	No expiry date
Debt with accretion	4,000	No expiry date	-	No expiry date
Non-capital losses	2,558,000	2026 to 2043	2,481,000	2026 to 2042
Canada	2,558,000	2026 to 2043	2,481,000	2026 to 2042

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

16. 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. Since deconsolidating WPD Poland, the Company has been evaluating opportunities to acquire an interest in an operating business. The Company's long-lived assets as at December 31, 2023 was $224,473 (2022 - $Nil) and consisted only of its investment in WPD Poland.

17. 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.

17. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Fair value (continued)

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:

- 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 approximates fair value due to the short-term nature of the financial instruments. Convertible debentures approximate their fair value because they are discounted using a market discount rate. Cash is valued at a Level 1 fair value measurement and is classified as fair value through profit or loss. Receivables and convertible debentures are classified as amortized cost.

Investments are measured at fair value using Level 2 inputs.

During the year ended December 31, 2023, WPD Poland closed an investment agreement, which provided a reliable reference point to determine the fair value of the Company’s investment in WPD Poland. Accordingly, the fair value measurement of the investment in WPD Poland is categorized within Level 2 of the fair value hierarchy based on this recent financing price, whereas at December 31, 2022, the investment was classified as Level 3.

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’s maximum exposure to credit risk comprises of the carrying value of cash and receivables.

17. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Risk management (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, 2023, the Company had a working capital deficit of $476,533 (December 31, 2022 – working capital deficit of $478,792). 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, 2023, 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 convertible debentures 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, 2023 between the Canadian and US Dollar would result in a fluctuation of approximately $8,597 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, 2023. The Company is not subject to externally imposed capital requirements.

18. COMMITMENTS AND CONTINGENCIES

On May 26, 2023, Michael Malana resigned as the Company's Chief Financial Officer. On December 22, 2023, Michael Malana filed a Notice of Claim against the Company (the "Claim") in the Supreme Court of British Columbia alleging that the Company owed him approximately $200,000 in unpaid compensation. The Company intends to vigorously defend against the Claim. On January 24, 2024, the Company filed a Response to the Claim denying the Claim and also filed a Counterclaim against Mr. Malana for breach of his fiduciary duties and breach of contract.

19. SUBSEQUENT EVENT

On February 19, 2024, WPD Poland issued 14,400 shares to a third party, which decreased the Company's share of ownership in WPD Poland from 6.91% to 6.15%.