FENDX TECHNOLOGIES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS
For the six months ended June 30, 2023 and 2022

(Unaudited, Expressed in Canadian dollars)

FENDX TECHNOLOGIES INC.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited, Expressed in Canadian dollars)

As at	Note	June 30, 2023 $	December 31, 2022 $
ASSETS			
Current			
Cash and cash equivalents	4	1,352,305	28,128
Sales tax receivable		27,548	59,839
Prepaid expenses	5	615,564	69,678
		1,995,417	157,645
Equipment		1,569	2,109
Total assets		1,996,986	159,754
LIABILITIES			
Current			
Accounts payable	7	76,625	564,237
Accrued liabilities	7	103,246	266,131
Loan payable		-	25,000
Total liabilities		179,871	855,368
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	8	6,330,157	2,518,252
Reserves	8	483,757	145,839
Deficit		(4,996,799)	(3,359,705)
Total shareholders' equity (deficiency)		1,817,115	(695,614)
Total liabilities and shareholders' equity		1,996,986	159,754

Nature of operations and going concern *[note 1]*
Subsequent events note *[11]*

These unaudited condensed interim financial statements were approved for issuance by the Board of Directors on August 29, 2023 and signed on its behalf by:

"Stephen Randall"
Director

"Carolyn Myers"
Director

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

CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited, Expressed in Canadian dollars)

	Note	Three months ended June 30, 2023 $	Three months ended June 30, 2022 $	Six months ended June 30, 2023 $	Six months ended June 30, 2022 $
Expenses					
Consulting fees		91,821	51,409	205,859	253,835
Directors' fees	7	13,712	25,000	26,671	50,000
General and administration		36,708	11,938	52,792	18,561
Investor relations		235,166	-	242,983	-
Management fees	7	145,750	133,500	317,500	250,125
Marketing		45,961	1,060	84,407	1,060
Professional fees	9	134,533	64,659	255,333	135,622
Research and development	9	66,368	61,271	126,220	98,033
Salaries and benefits		26,706	25,387	60,146	51,946
Share based payment	7,8	70,659	47,422	256,175	47,422
Transfer agent and filing fees		18,409	6,618	35,031	8,162
		885,793	428,264	1,663,117	914,766
Loss before other income		(885,793)	(428,264)	(1,663,117)	(914,766)
Other income					
Foreign exchange gain		2,309	56	582	51
Interest income	4	17,594	-	25,441	-
		19,903	56	26,023	51
Net loss and comprehensive loss		(865,890)	(428,208)	(1,637,094)	(914,715)
Basic and diluted loss per common share		(0.02)	(0.01)	(0.03)	(0.03)
Weighted average number of common shares outstanding – basic and diluted		51,996,420	36,973,465	49,566,336	36,545,000

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

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Unaudited, Expressed in Canadian dollars)

	Share Capital		Subscriptions received	Reserves	Deficit	Total
	Number	$	$	$	$	$
Balance, December 31, 2021	35,857,773	2,241,312	30,000	48,138	(1,459,957)	859,493
Private placements (Note 8)	300,000	45,000	(30,000)	-	-	15,000
Shares issued – finders' shares (Note 8)	24,000	3,600	-	-	-	3,600
Shares cancelled – finders' shares (Note 8)	(16,000)	(2,400)	-	-	-	(2,400)
Shares issued – debt settlements (Note 8)	1,050,000	157,500	-	-	-	157,500
Share issuance costs (Note 8)	-	(1,760)	-	-	-	(1,760)
Share based payment (Note 8)	-	-	-	47,422	-	47,422
Broker warrants (Note 8)	-	-	-	560	-	560
Net loss for the period	-	-	-	-	(914,715)	(914,715)
Balance, June 30, 2022	37,215,773	2,443,252	-	96,120	(2,374,672)	164,700
Shares issued – exercise of warrants (Note 8)	750,000	75,000	-	-	-	75,000
Share based payment (Note 8)	-	-	-	49,719	-	49,719
Net loss for the period	-	-	-	-	(985,033)	(985,033)
Balance, December 31, 2022	37,965,773	2,518,252	-	145,839	(3,359,705)	(695,614)
Shares issued (Note 8)	13,338,000	4,001,400	-	-	-	4,001,400
Shares issued - finders' shares (Note 8)	609,680	182,904	-	-	-	182,904
Shares issued - RSU vesting (Note 7,8)	150,000	45,000	-	(45,000)	-	-
Shares issued - exercise of options (Note 8)	33,333	8,368	-	(3,368)	-	5,000
Broker warrants (Note 8)	-	-	-	130,111	-	130,111
Share issuance costs (Note 8)	-	(425,767)	-	-	-	(425,767)
Share based payment (Note 8)	-	-	-	256,175	-	256,175
Net loss for the period	-	-	-	-	(1,637,094)	(1,637,094)
Balance, June 30, 2023	52,096,786	6,330,157	-	483,757	(4,996,799)	1,817,115

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

CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited, Expressed in Canadian dollars)

	Six months ended June 30, 2023 $	Six months ended June 30, 2022 $
OPERATING ACTIVITIES		
Net loss	(1,637,094)	(914,715)
Add items not affecting cash:		
Depreciation of equipment	540	976
Share based payment	256,175	47,422
	(1,380,379)	(866,317)
Changes in non-cash working capital items relating to operations:		
Sales tax receivable	32,291	(26,305)
Prepaid expenses	(545,886)	33,980
Accounts payable and accrued liabilities	(650,497)	311,651
Cash used in operating activities	(2,544,471)	(546,991)
FINANCING ACTIVITIES		
Issuance of common shares, net of issuance costs	3,893,648	15,000
Loan payable	(25,000)	-
Cash provided by financing activities	3,868,648	15,000
Increase (decrease) in cash during period	1,324,177	(531,991)
Cash and cash equivalents, beginning	28,128	1,083,871
Cash and cash equivalents, ending	1,352,305	551,800
Interest received:	25,441	-
Cash and cash equivalents is comprised of:		
Cash	338,564	551,800
Cashable guaranteed investment certificates	1,013,741	-

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

1. NATURE OF OPERATIONS AND GOING CONCERN

FendX Technologies Inc. ("FendX" or the "Company") was incorporated under the British Columbia *Business Corporations Act*. The Company was incorporated as 1259192 B.C. Ltd. on July 28, 2020 and subsequently changed its name to FendX Technologies Inc. on September 18, 2020. The Company's head office is located at 2010 Winston Park Drive, 2nd Floor, Oakville, Ontario, L6H 5R7. On March 20, 2023 the Company's common shares were listed and commenced trading on the Canadian Securities Exchange (the "CSE") under the symbol "FNDX". The Company's common shares commenced trading on the OTCQB Venture Market on May 30, 2023 under the symbol "FDXTF" and commenced trading on the Frankfurt Stock Exchange on May 31, 2023 under the symbol "E8D".

The Company was formed to advance a platform technology that was licensed from McMaster University ("McMaster") of Hamilton, Ontario, Canada, pursuant to a License Agreement (as herein defined) effective February 5, 2021 (Note 6). The Company has expanded its technology portfolio with the addition of a spray formulation licensed from McMaster pursuant to a Spray License Agreement effective May 16, 2023 (Note 6). The Company is a development-stage nanotechnology company focused on developing surface-protection coatings that repel certain pathogens.

These unaudited condensed interim financial statements have been prepared under the assumption that the Company will continue as a going concern. The going concern basis of presentation assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

As of June 30, 2023, the Company had an accumulated deficit of $4,996,799 (December 31, 2022 - $3,359,705) and working capital of $1,815,546 (December 31, 2022 – working capital deficit of $697,723). The Company's operations are dependent on obtaining additional financing to further develop its technology and generating cash flow from operations in the future. These factors form a material uncertainty, which may raise significant doubt about the Company's ability to continue as a going concern. Management's plans to meet the Company's current and future obligations may include raising capital through the issuance of equity and debt securities, relying on the financial support of its shareholders and related parties and cashflow from operations if the Company is successful in commercially launching its technology. There is no assurance that additional funding will be available on a timely basis or on terms acceptable to the Company. These unaudited condensed interim financial statements do not give effect to any adjustments that would be necessary should the Company be unable to continue as a going concern, and therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business. Such adjustments can be material.

2. BASIS OF PRESENTATION

[a] Statement of compliance

These unaudited condensed interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as applicable to interim financial reports, including International Accounting Standard 34 Interim Financial Reporting. These condensed interim financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company's

2. BASIS OF PRESENTATION (CONTINUED)

[a] Statement of compliance (continued)

financial statements for the year ended December 31, 2022 ("Annual Financial Statements"), which have been prepared in accordance with IFRS.

[b] Basis of measurement

These unaudited condensed interim financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable.

[c] Functional and foreign currency

These unaudited condensed interim financial statements are presented in Canadian dollars, which is the Company's functional currency. Foreign currency transactions are translated into Canadian dollars using the exchange rate at the date of the transaction. Foreign exchange gains or losses resulting from the settlement of transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognized in net income or loss.

[d] Significant accounting estimates and judgments

The preparation of these unaudited condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These unaudited condensed interim financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates may be pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company reviews its estimates and underlying assumptions on an ongoing basis.

Critical judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

i. Research costs and license costs are recognized as an expense when incurred, but development costs may be capitalized as intangible assets if certain conditions are met, as described in International Accounting Standard ("IAS") 38 *Intangible Assets*. Management has determined that development costs do not meet the conditions for capitalization under IAS 38, and all research and development costs and license costs have been expensed.

2. BASIS OF PRESENTATION (CONTINUED)

[d] Significant accounting estimates and judgments (continued)

ii. Management is required to determine whether the going concern assumption is appropriate for the Company at the end of each reporting period. Considerations taken into account include available information about the future, including the availability of financing and revenue projection, as well as the current working capital balance and future commitments of the Company.

Estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

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

ii. The fair value of accrued liabilities at the time of initial recognition is made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors.

[e] Comparative Figures

Certain comparative figures have been reclassified to conform to current period's presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant account policies applied in the presentation of these condensed interim financial statements have been applied to all periods presented. Please refer to the audited financial statements for the year ended December 31, 2022 for a full list of policies.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash held in non-interest and interest bearing bank accounts which earn variable interest and highly liquid investments held in the form of cashable guaranteed investment certificates ("GICs") with investment terms that allow for penalty free redemption after one month and are held with Canadian chartered banks. GICs are variable rate interest GICs.

(Unaudited, Expressed in Canadian dollars)

5. PREPAID EXPENSES

	June 30, 2023 $	December 31, 2022 $
Prepaid insurance	16,576	1,185
Prepaid research project expenses	104,971	8,493
Prepaid investor relations expenses	470,920	60,000
Prepaid expense – other	23,097	-
Total	615,564	69,678

Pursuant to a collaborative research agreement between the Company and McMaster with an effective date of August 1, 2021 and amended on April 11, 2023 with an effective date of January 1, 2023 (the "Collaborative Research Agreement" or "CRA"), the Company advances funds for the sponsored research project work led by the McMaster lead researchers to further develop the Licensed Technology (as defined in Note 6). (See Note 6).

The Company entered into investor relations services agreements during the period for which services had not been completed as of June 30, 2023. Payments totaling $621,816 were made to an aggregate of five service providers of which $470,920 is included in prepaid expenses as at June 30, 2023 and are amortized over the monthly period which they relate to.

6. LICENSE AGREEMENTS

The Company and McMaster entered into a license agreement (the "License Agreement") dated February 5, 2021, and amended July 14, 2021 and July 15, 2022, in respect of certain protective surface coating film technology and patents (the "Licensed Technology"), which grants the Company an exclusive worldwide license to the Licensed Technology. In addition, the Company entered into a Collaborative Research Agreement with McMaster (see Note 5) that allows the Company to work with McMaster to advance the Licensed Technology and sets out the payment schedule for the development milestone funding. Pursuant to the License Agreement, the Company agreed to the following:

- the issuance to McMaster of common shares equal to 5% of its fully diluted share capital on achievement of certain funding thresholds of which 1,435,000 common shares have been issued in satisfaction thereof;
- payment of a 4% royalty on net sales;
- a minimum annual royalty commencing in the first 12-month period ending on the anniversary of the date of the License Agreement as to $5,000 in the first and second years, $10,000 in the third and fourth years and $20,000 in the fifth and subsequent years; and
- funding for development milestones such that in year one, the Company will fund development work pursuant to the Collaborative Research Agreement and contribute an aggregate of $350,000 toward sponsored research projects, of which:
    - $175,000 was due on signing the Collaborative Research Agreement (paid);
    - $87,500 is payable on each of months 4 (paid) and 8 (paid) thereafter, upon receipt of invoices from McMaster; and

(Unaudited, Expressed in Canadian dollars)

6. LICENSE AGREEMENTS (CONTINUED)

- In year two and year three, the Company is to contribute a minimum of $150,000 each year to a sponsored research project to further develop the Licensed Technology, provided the research aims are approved by the Company.

On May 16, 2023, the Company and McMaster entered into a license agreement, as amended July 20, 2023, (the "Spray License Agreement") which provided the Company with an exclusive worldwide license to certain technology, including a U.S provisional patent application filed on October 11, 2022, for a bifunctional spray coating formulation (the "Spray Technology"). Pursuant to the Spray License Agreement, the Company will be required to pay a 4% royalty on net sales of a commercialized product and commit maximum research funding to McMaster of $85,169 for 2023 and $168,468 for 2024 to support continued research and development activities of the Spray Technology. (See Note 11).

7. RELATED PARTY DISCLOSURE

Transactions with related parties

Related parties of the Company include key management personnel and companies controlled by key management personnel. Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any directors (whether executive or otherwise) of the Company.

Amounts due to related parties, including amounts due to key management personnel are unsecured, interest-free, due on demand and settlement generally occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Included in accounts payable and accrued liabilities at June 30, 2023, were amounts totaling $50,871 (December 31, 2022 – $540,289) due to related parties.

The following related party fees were incurred:

	Three months ended June 30, 2023 $	**Three months ended June 30, 2022 $**	**Six months ended June 30, 2023 $**	**Six months ended June 30, 2022 $**
Directors' fees	13,712	25,000	26,671	50,000
Management fees	145,750	133,500	317,500	250,125
Share based payment	60,958	27,759	192,819	27,759
Total	220,420	186,259	536,990	327,884

On April 22, 2022, the Company issued 50,000 common shares to settle $7,500 of management fees owed to a company controlled by the Company's CFO (see Note 8).

On May 25, 2023, the Company issued 150,000 common shares to an officer pursuant to the vesting of 150,000 RSUs (Note 8).

8. SHARE CAPITAL

[a] Authorized

Unlimited number of common shares without par value.

[b] Issued

As at June 30, 2023, 52,096,786 common shares were issued and outstanding (December 31, 2022 – 37,965,773). As at June 30, 2023, 34,419,666 common shares (December 31, 2022 – 36,469,666) are subject to voluntary pooling and/or escrow restrictions of which: a) 16,500,001 common shares are subject to voluntary pooling agreements such that 55% of these shares are released on the date that is 18 months from the listing date of the Company's common shares on the CSE on March 20, 2023 (the "Listing Date"), and further 15% releases on the dates that are 24, 30 and 36 months from the Listing Date; b) 1,435,000 common shares will be released on the date that is 18 months after the Listing Date; c) an aggregate of 8,200,000 common shares are subject to voluntary escrow such that 10% were released on the Listing Date and 15% of these shares will be released on each of the dates that are 3, 6, 9, 12, 15 and 18 months from the Listing Date; and d) an aggregate of 10,334,665 common shares are subject to voluntary resale restrictions such that 20% are released on the date that is 4 months and one day from the Listing Date, 20% released on the date that is 6 months and one day from the Listing Date, 30% released on each of the dates that are 9 months and one day and 12 months and one day from the Listing Date.

During the six months ended June 30, 2023:

i. On February 1, 2023, the Company obtained a receipt for its final prospectus dated January 31, 2023 and the gross proceeds of the Subscription Receipt (as defined in Note 8(c)) financing of $4,001,400 held in escrow was released to the Company by the escrow agent. Each Subscription Receipt was automatically converted into one Unit (as defined in Note 8(c)), and the Company issued an aggregate of 13,338,000 common shares and 6,669,000 warrants. In addition, the Company paid cash finder's fees in the aggregate amount of $112,752 and issued 609,680 finders' shares at a deemed price of $0.30 per share and issued an aggregate of 985,520 broker warrants.

   Each broker warrant is exercisable into one additional common share at an exercise price of $0.30 per share until February 1, 2025 and were valued at $130,111 using the Black-Scholes pricing model under the following assumptions: a risk-free rate of 3.66%, an estimated annualized volatility of 78.05%, an expected life of 2 years, a nil dividend yield, and an exercise price of $0.30. The Company recorded share issuance costs totaling $425,767 comprised of: $182,904 for the fair value of the 609,860 finders' shares; $112,752 for the cash finders fees; and $130,111 for the fair value of the 985,520 broker warrants.

ii. On May 2, 2023, the Company issued 33,333 common shares pursuant to the excise of 33,333 options at $0.15 per common share for proceeds of $5,000.

iii. On May 25, 2023, the Company issued 150,000 common shares pursuant to the vesting of 150,000 RSUs.

8. SHARE CAPITAL (CONTINUED)

[b] Issued (continued)

During the year ended December 31, 2022:

i. On January 20, 2022, the Company closed a non-brokered private placement and issued 300,000 common shares at $0.15 per share for proceeds of $45,000 of which $30,000 was received during the year ended December 31, 2021. In connection with the offering, the Company issued 24,000 finders shares at a deemed price of $0.15 per share and 24,000 broker warrants, each broker warrant is exercisable into one additional share at an exercise price of $0.15 per share for a period of two years from the date of issuance with a fair value of $3,600. During the year, the Company cancelled 16,000 of these finders shares, with a fair value of $2,400, and 16,000 broker warrants. The 8,000 remaining broker warrants were valued at $560 using the Black-Scholes pricing model under the following assumptions: a risk-free rate of 1.28%, an estimated annualized volatility of 86.53%, an expected life of 2 years, a nil dividend yield, and an exercise price of $0.15. Share issuance costs of $1,760 was recorded during the year ended December 31, 2022 including $1,200 for the 8,000 finder's shares issued and $560 for the fair value of the 8,000 broker warrants granted.

ii. On April 22, 2022, the Company issued 50,000 common shares to settle debt obligations of $7,500 to a related party with a fair value of $0.15 per share (Note 7).

iii. On April 22, 2022, the Company issued 1,000,000 common shares to settle debt obligations of $150,000 with a fair value of $0.15 per share.

iv. On December 22, 2022, the Company issued 750,000 common shares pursuant to the exercise of 750,000 warrants at a price of $0.10 per share for gross proceeds of $75,000.

[c] Subscription Receipts

On April 28, 2022, the Company closed a non-brokered private placement and issued an aggregate of 13,338,000 subscription receipts (each, a "Subscription Receipt") at $0.30 per Subscription Receipt, for proceeds of $4,001,400. The proceeds were held in escrow by an escrow agent pursuant to a subscription receipt agreement dated April 28, 2022, as amended, between the Company and Endeavor Trust Corporation (the "Escrow Agent") and upon obtaining the receipt for a final prospectus (the "Escrow Release Condition"), the funds would be released to the Company and each Subscription Receipt will automatically convert into one unit ("Unit"). Each Unit consists of one common share and one-half warrant. Each whole warrant would entitle the holder to purchase an additional common share at an exercise price of $0.50 per share for a period of two years following the date of the satisfaction of the Escrow Release Condition, subject to an acceleration provision.

Upon satisfaction of the Escrow Release Condition, the Company would pay a cash finder's fee in the aggregate amount of $112,752, would issue 609,680 Subscription Receipt broker shares and issue an aggregate of 985,520 Subscription Receipt broker warrants to certain finders in connection with funds raised pursuant to the Subscription Receipt offering. Broker warrants are exercisable at $0.30 per share for a period of two years from the date of satisfaction of the Escrow Release Condition. If the Escrow

8. SHARE CAPITAL (CONTINUED)

[c] Subscription Receipts (continued)

Release Condition were not satisfied by February 17, 2023, subscribers would be entitled to receive a refund of the subscription amounts held in escrow, without interest thereon.

The Escrow Release Condition was satisfied on February 1, 2023 and the proceeds of $4,001,400 held in escrow was released to the Company. (See Note 8(b)). As at June 30, 2023, the Company had no (December 31, 2022 – 13,338,000) Subscription Receipts outstanding.

[d] Options

The Company has an equity incentive plan dated October 19, 2021 (the “Plan”) under which it is authorized to grant stock options, restricted share units, performance share units or deferred share units (the “Plan Securities”) which may be denominated or settled in common shares, cash, a combination thereof or in such other form as provided herein at the discretion of the Company’s board of directors up to a maximum of 20% of the issued and outstanding common shares of the Company from time to time.

On January 24, 2023, the Company issued an aggregate of 1,450,000 options to certain directors, officers, employees and consultants with an exercise price of $0.30 per share with an expiry date of 5 years from the date of grant. The options are subject to standard vesting provisions of 1/3 vesting on the date of grant and 1/3 vesting on the date that is 12 months and 24 months from the date of grant, such that all options fully vest over 24 months from the date of grant. The options were valued using the Black-Scholes model under the following assumptions: a risk-free rate of 2.93%, an estimated annualized volatility of 89.61%, an expected life of 5 years, a nil dividend yield, and an exercise price of $0.30.

On April 22, 2022, the Company issued an aggregate of 1,025,000 options to certain directors, officers, employees and consultants with an exercise price of $0.15 per share with an expiry date of 5 years from the date of grant. The options are subject to standard vesting provisions of 1/3 vesting on the date of grant and 1/3 vesting on the date that is 12 months and 24 months from the date of grant, such that all options fully vest over 24 months from the date of grant. The options were valued using the Black-Scholes model under the following assumptions: a risk-free rate of 2.79%, an estimated annualized volatility of 83.53%, an expected life of 5 years, a nil dividend yield, and an exercise price of $0.15.

On December 24, 2022, the Company issued an aggregate of 300,000 options to an officer with an exercise price of $0.30 per share with an expiry date of 5 years from the date of grant. The options are subject to standard vesting provisions of 1/3 vesting on the date of grant and 1/3 vesting on the date that is 12 months and 24 months from the date of grant, such that all options fully vest over 24 months from the date of grant. The options were valued using the Black-Scholes model under the following assumptions: a risk-free rate of 3.25%, an estimated annualized volatility of 87.83%, an expected life of 5 years, a nil dividend yield, and an exercise price of $0.30.

The expected volatilities used for the options granted during the six months ended June 30, 2023 is based on the historical share prices of comparable companies.

(Unaudited, Expressed in Canadian dollars)

8. SHARE CAPITAL (CONTINUED)

[d] Options (continued)

The continuity of options to June 30, 2023 is as follows:

	Number of Options	Weighted Average Exercise Price $
Balance, December 31, 2021	-	-
Granted	1,325,000	0.18
Balance, December 31, 2022	1,325,000	0.18
Granted	1,450,000	0.30
Exercised	(33,333)	0.15
Balance, June 30, 2023	2,741,667	0.25
Vested and exercisable at June 30, 2023	1,233,331	0.22

A summary of the Company's options outstanding at June 30, 2023 is as follows:

Expiry Date	Exercise Price $	Number Outstanding	Remaining Life of Options (Years)	Number Exercisable
April 22, 2027	0.15	991,667	3.81	649,999
December 24, 2027	0.30	300,000	4.49	100,000
January 24, 2028	0.30	1,450,000	4.57	483,332
		2,741,667	4.29	1,223,331

During the six months ended June 30, 2023, the Company recognized share based payment of $211,175 (June 30, 2022 - $47,422) relating to options granted and vested during the period.

[e] Warrants

A summary of the warrant activity to June 30, 2023 is as follows:

	Number	Weighted Average Exercise Price $
Balance, December 31, 2021	9,200.000	0.10
Warrants exercised	(750,000)	0.10
Balance, December 31, 2022	8,450,000	0.10
Issued	6,669,000	0.50
Balance, June 30, 2023	15,119,000	0.28

(Unaudited, Expressed in Canadian dollars)

8. SHARE CAPITAL (CONTINUED)

[e] Warrants (continued)

Details of warrants outstanding as at June 30, 2023 are as follows:

Date of Expiry	**Number of Warrants Outstanding**	**Exercise Price $**
March 10, 2024[1]	8,450,000	0.10
February 1, 2025	6,669,000	0.50
	15,119,000	

[1] Reflects the amended expiry date of the warrants, as amended by the Company during the six months ended June 30, 2023.

The weighted average remaining contractual life of the warrants outstanding as at June 30, 2023 is 1.09 years.

[f] Broker warrants

A summary of the broker warrant activity to June 30, 2023 is as follows:

	Number	**Weighted Average Exercise Price $**
Balance, December 31, 2021	688,107	0.15
Issued	24,000	0.15
Cancelled	(16,000)	(0.15)
Balance, December 31, 2022	696,107	0.15
Issued	985,250	0.30
Balance, June 30, 2023	1,681,627	0.24

Details of broker warrants outstanding as at June 30, 2023 are as follows:

Expiry Date	**Number Outstanding**	**Exercise Price $**
August 16, 2023[1]	200,320	0.15
November 9, 2023	45,120	0.15
December 23, 2023	442,667	0.15
January 20, 2024	8,000	0.15
February 1, 2025	985,520	0.30
	1,681,627	

[1] Subsequent to period end, all of these broker warrants were exercised.

The weighted average remaining contractual life of the broker warrants outstanding at June 30, 2023 is 1.09 years.

(Unaudited, Expressed in Canadian dollars)

8. SHARE CAPITAL (CONTINUED)

[g] Bonus Shares

On June 19, 2021 the Company entered into agreements with each of the two lead researchers at McMaster (the “Lead Researchers”) related to the Licensed Technology. Pursuant to the agreements, each of the two Lead Researchers may be entitled to receive up to 2,075,000 common shares (the “Bonus Shares”) should certain milestones related to the development of the Licensed Technology be achieved. As at June 30, 2023 4,150,000 Bonus Shares have been reserved for issuance, and no Bonus Shares have been issued.

[h] Restricted Share Units

On January 24, 2023, the Company granted 150,000 restricted share units (“RSUs”) to an officer which vest 4 months from the date of grant. During the six months ended June 30, 2023, the Company recognized $45,000 as share-based payments related to RSUs (2022 - $nil). As at June 30, 2023, nil RSUs are outstanding (December 31, 2022 – nil).

[i] Reserves

The reserve records items recognized as share-based compensation expense and other share-based payments until such time that the RSUs, options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

9. OPERATING EXPENSES

Professional fees are comprised of the following:

	Three months ended June 30, 2023	**Three months ended June 30, 2022**	**Six months ended June 30, 2023**	**Six months ended June 30, 2022**
	$	**$**	**$**	**$**
Audit fees	29,494	7,500	49,244	15,000
Legal fees – general corporate	75,421	28,078	156,042	46,008
Legal fees – intellectual property and other	29,618	29,081	50,048	74,614
Total	134,533	64,659	255,333	135,622

(Unaudited, Expressed in Canadian dollars)

9. OPERATING EXPENSES (CONTINUED)

Research and development expenses are comprised of the following:

	Three months ended June 30, 2023	**Three months ended June 30, 2022**	**Six months ended June 30, 2023**	**Six months ended June 30, 2022**
	$	**$**	**$**	**$**
Research and development	66,368	61,271	121,220	93,033
License and royalty fees	-	-	5,000	5,000
Total	66,368	61,271	126,220	98,033

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value
The Company's financial instruments at June 30, 2023 include cash and cash equivalents, sales tax receivable and accounts payable. The fair values of these instruments approximate their carrying values due to their short-term nature.

IFRS 13 *Fair Value Measurement* establishes a fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 - quoted prices 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., from derived prices); and

Level 3 - inputs for the asset or liability that are not based upon observable market data.

The fair value of cash is based on Level 1 inputs. The carrying values of sales tax receivable and accounts payable approximate their respective fair values due to the short-term nature of these investments.

[a] Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises for the Company from its cash and sales tax receivable. The Company has adopted practices to mitigate the deterioration of principal, to enhance the Company's ability to meet its liquidity needs and to optimize yields within those parameters. The Company regularly reviews the collectability of its accounts receivable and would establish an allowance account for credit losses based on its best estimate of any potentially uncollectible accounts receivable. As of June 30, 2023, the balance of the allowance account for credit losses was $nil (December 31, 2022 - $nil). The Company's cash is deposited in bank accounts held with major banks in Canada and in cashable guaranteed investment certificates. As most of the Company's

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

[a] Credit risk (continued)

cash and cash equivalents are held with Canadian Schedule 1 chartered banks there is a concentration of credit risk. This risk is managed by using major banks that are high quality financial institutions as determined by rating agencies.

[b] Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's exposure to liquidity risk is dependent on its purchasing commitments and obligations and its ability to raise funds to meet commitments and sustain operations. The Company manages liquidity risk by continuously monitoring its actual and forecasted working capital requirements, and actively managing its financing activities. The Company's main source of funding has been the issuance of equity securities, primarily through private placements. Although the Company received the proceeds held in escrow of $4,001,400 from its Subscription Receipt financing on February 1, 2023 (see Note 8), there can be no assurance of continued access to significant equity funding. As of June 30, 2023, the Company had working capital of $1,815,546 (December 31, 2022- working capital deficit of $697,723). As at June 30, 2023, the Company's financial liabilities were comprised of accounts payable and accrued liabilities totaling $179,871 all of which have contractual maturities of less than 3 months (December 31, 2022 - $855,368).

[c] Market risk

i. Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. The Company has cash balances and interest-bearing guaranteed investment certificates. The Company's excess cash is invested based on the Company's policy to invest the excess cash in high interest savings accounts and guaranteed investment certificates issued by its banking institutions. As at June 30, 2023, the Company held $1,352,305 (December 31, 2022 - $28,128) in cash and cash equivalents.

ii. Currency risk

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. The Company has a portion of its operating expenses in US dollars. The Company has not entered into foreign exchange derivative contracts.

As at June 30, 2023 and December 31, 2022, the Company had the following assets and liabilities denominated in US dollars. A 10% change in the currency exchange rate between the Canadian dollar relative to the US dollar could have a gain or loss of approximately $1,948 (December 31, 2022 - $3,725) on the Company's results of financial position based on the Company's net exposure as at June 30, 2023 and December 31, 2022.

(Unaudited, Expressed in Canadian dollars)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

[c] Market risk (continued)

	June 30, 2023 US$	**December 31, 2022 US$**
Accounts payable	14,719	27,500

[d] Capital disclosure

The Company's objective when managing capital is to ensure its ability to continue as a going concern in order to pursue the development of its product candidates for ultimate sale or sub-licensing. The Company attempts to maximize return to shareholders by minimizing shareholder dilution and, when possible, utilizing non-dilutive funding arrangements, such as collaborative partnership arrangements.

The Company defines its capital as share capital and reserves. The Company has financed its capital requirements primarily through equity share issuances since inception.

The Company manages its capital structure and adjusts it based on changes in economic conditions and risk characteristics of the underlying assets. The Company may issue new securities. The Company is not subject to any externally imposed capital requirements. There were no changes to the Company's capital management during the six months ended June 30, 2023.

11. SUBSEQUENT EVENTS

The Company entered into an amendment to the Spray License Agreement dated July 20, 2023, which amended the maximum research funding to McMaster for the Spray Technology work to $85,169 for 2023 and $168,468 for 2024. See Note 6.

The Company entered into a collaborative research agreement (the "Spray CRA") with McMaster dated July 20, 2023, with an effective date of July 1, 2023, which details the research and development plan and payment terms for the Spray Technology licensed by the Company pursuant to the Spray License Agreement. See Note 6.

In August 2023, the Company received proceeds of $30,048 from the exercise of 200,320 broker warrants at a price of $0.15 per share and issued an aggregate of 200,320 common shares related thereto.