FENDX TECHNOLOGIES INC.

FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

dmcl.ca

Independent Auditor's Report

To the Shareholders of FendX Technologies Inc.

Opinion

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

In our opinion, the accompanying 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 International Financial Reporting Standards.

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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that as at December 31, 2023, the Company had an accumulated deficit of $7,022,918 and working capital of $43,191. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate 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 period. 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 report.

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Other Information

Management is responsible for the other information. The other information comprises the information included in 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 identified above 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 International Financial Reporting 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.

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 period 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 Matthew Gosden.

DMCL.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

April 29, 2024

STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

As at	Note	December 31, 2023 $	December 31, 2022 $
ASSETS			
Current			
Cash and cash equivalents	4	266,791	28,128
Sales and other taxes receivable		24,414	59,839
Prepaid expenses	5	271,684	69,678
		562,889	157,645
Equipment		1,167	2,109
Total assets		564,056	159,754
LIABILITIES			
Current			
Accounts payable	7	268,652	564,237
Accrued liabilities	7	251,046	266,131
Loan payable	8	-	25,000
Total liabilities		519,698	855,368
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	9	6,531,512	2,518,252
Reserves	9	535,764	145,839
Deficit		(7,022,918)	(3,359,705)
Total shareholders' equity (deficiency)		44,358	(695,614)
Total liabilities and shareholders' equity		564,056	159,754

Nature of operations and going concern *[note 1]*
Subsequent events *[13]*

These financial statements were approved for issuance by the Board of Directors on April 29, 2024 and signed on its behalf by:

"Stephen Randall"
Director

"Carolyn Myers"
Director

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

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Note	Year Ended December 31, 2023 $	Year Ended December 31, 2022 $
Expenses			
Consulting fees		522,468	452,113
Directors' fees	7	54,397	92,976
General and administration		88,192	28,093
Investor relations		1,047,561	-
Management fees	7	639,940	572,938
Marketing		130,407	2,370
Professional fees	10	422,101	322,659
Research and development	10	321,429	227,923
Salaries and benefits		114,702	91,842
Share based payment	7,9	356,321	97,141
Transfer agent and filing fees		66,458	25,615
		3,763,976	1,913,670
Loss before other income (loss)		(3,763,976)	(1,913,670)
Other income (loss)			
Foreign exchange		(5,711)	(408)
Forgiveness of accounts payable		-	12,230
Government grant		-	2,100
Interest income	4	35,353	-
Other income	12	71,121	-
		100,763	13,922
Net loss and comprehensive loss		(3,663,213)	(1,899,748)
Basic and diluted loss per common share		(0.07)	(0.05)
Weighted average number of common shares outstanding – basic and diluted		51,126,932	36,903,691

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(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
Shares issued - Private placements (Note 9)	300,000	45,000	(30,000)	-	-	15,000
Shares issued – finders' shares (Note 9)	24,000	3,600	-	-	-	3,600
Shares cancelled – finders' shares (Note 9)	(16,000)	(2,400)	-	-	-	(2,400)
Shares issued – exercise of warrants (Note 9)	750,000	75,000	-	-	-	75,000
Shares issued – debt settlements (Note 7,9)	1,050,000	157,500	-	-	-	157,500
Share issuance costs (Note 9)	-	(1,760)	-	-	-	(1,760)
Share based payment (Note 9)	-	-	-	97,141	-	97,141
Broker warrants (Note 9)	-	-	-	560	-	560
Net loss for the year	-	-	-	-	(1,899,748)	(1,899,748)
Balance, December 31, 2022	37,965,773	2,518,252	-	145,839	(3,359,705)	(695,614)
Shares issued - subscription receipts (Note 9)	13,338,000	4,001,400	-	-	-	4,001,400
Shares issued - finders' shares (Note 9)	609,680	182,904	-	-	-	182,904
Shares issued - exercise of broker warrants (Note 9)	688,107	151,355	-	(48,139)	-	103,216
Shares issued - exercise of warrants (Note 9)	500,000	50,000	-	-	-	50,000
Shares issued - exercise of options (Note 9)	33,333	8,368	-	(3,368)	-	5,000
Shares issued - RSU vesting (Note 7, 9)	150,000	45,000	-	(45,000)	-	-
Share issuance costs (Note 9)	-	(425,767)	-	-	-	(425,767)
Share based payment (Note 9)	-	-	-	356,321	-	356,321
Broker warrants (Note 9)	-	-	-	130,111	-	130,111
Net loss for the year	-	-	-	-	(3,663,213)	(3,663,213)
Balance, December 31, 2023	53,284,893	6,531,512	-	535,764	(7,022,918)	44,358

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

STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Year Ended December 31, 2023 $	Year Ended December 31, 2022 $
OPERATING ACTIVITIES		
Net loss	(3,663,213)	(1,899,748)
Add items not affecting cash:		
Depreciation of equipment	942	1,703
Share based payment	356,321	97,141
	(3,305,950)	(1,800,904)
Changes in non-cash working capital items relating to operations:		
Sales and other tax receivable	35,425	(45,085)
Prepaid expenses	(202,006)	75,007
Accounts payable and accrued liabilities	(310,670)	600,239
Cash used in operating activities	(3,783,201)	(1,170,743)
FINANCING ACTIVITIES		
Issuance of common shares, net of issuance costs	4,046,864	90,000
Loan payable	(25,000)	25,000
Cash provided by financing activities	4,021,864	115,000
Increase (decrease) in cash during period	238,663	(1,055,743)
Cash and cash equivalents, beginning	28,128	1,083,871
Cash and cash equivalents, ending	266,791	28,128
Interest received:	35,353	-
Cash and cash equivalents is comprised of:		
Cash	33,839	184,865
Cashable guaranteed investment certificates	232,952	-

Supplemental disclosures with respect to cash flows:		
Issuance of shares for settlement of debts	-	157,500
Fair value of finder shares issued	182,904	-
Fair value of compensation warrants issued	130,111	560

The accompanying notes are an integral part of these 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'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 research and development-stage nanotechnology company focused on developing surface-protection coatings that repel certain pathogens.

[a] Going Concern

These 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 December 31, 2023, the Company had an accumulated deficit of $7,022,918 and working capital of $43,191. The Company's operations are dependent on obtaining additional financing to further develop its technology and generate 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 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 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretation Committee ("IFMIC").

These financial statements were approved for issue by the Company's Board of Directors on April 29, 2024.

2. BASIS OF PRESENTATION (CONTINUED)

[b] Basis of measurement

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

[c] Functional and foreign currency

These 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] Critical accounting estimates and judgments

The preparation of these 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 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.

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.

2. BASIS OF PRESENTATION (CONTINUED)

[d] Critical accounting estimates and judgments (continued)

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in the preparation of these financial statements have been applied to all periods presented.

[a] Research and development costs

Expenditures related to research activities are recognized as an expense in the period in which they are incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, the entity can demonstrate all of the following:

i. the technical feasibility of completing the intangible asset so that it will be available for use or sale;
ii. its intention to complete the intangible asset and use or sell it;
iii. its ability to use or sell the intangible asset;
iv. how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
v. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
vi. its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs are capitalized when the above criteria are met. Where no internally generated intangible asset can be recognized, development expenditures are expensed in the period in which they are incurred.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

[a] Research and development costs (continued)

After initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. They are amortized on a straight-line basis over their useful life, and an impairment loss is recognized in profit or loss when their recoverable amount is less than their net carrying amount.

[b] SR&ED Investment tax credits

The Company claims federal investment tax credits as a result of incurring scientific research and experimental development ("SR&ED") expenditures recoverable from the Canadian federal and provincial governments. The amounts claimed under the program represent amounts based on management estimates of eligible research and development costs incurred during the year. Realization is subject to government approval. Refundable SR&ED tax credits claimed relating to qualifying expenditures are recorded to other income.

[c] Government grant

A government grant is recognized when there is reasonable assurance it will be received, and all related conditions will be complied with. The Company recognizes government grants in profit or loss on a systematic basis and in line with its recognition of the expenses that the grants are intended to compensate. The Company carefully determines whether the grant compensates expenses already incurred or future costs.

[d] Share-based payments

Share-based compensation to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and expensed over the vesting periods. Share-based compensation to non-employees is measured at the fair value of the goods or services received or the fair value of the equity instruments issued if the fair value of the goods or services cannot be reliably measured and is recorded at the date the goods or services are received. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to reserves.

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Any previously recorded share-based payment included in the reserves account is transferred to share capital on exercise of options. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from issuance of units are allocated between common shares and warrants based on the residual method. Under this method, the proceeds are allocated first to share capital based on the fair value as determined by the quoted bid price of the common shares and any residual value is allocated to reserves. Consideration received

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

[d] Share-based payments (continued)

for the exercise of warrants is recorded in share capital, and any related amount recorded in reserves is transferred to share capital. Charges for options or warrants that are cancelled or expire are reclassified from reserves to deficit.

[e] 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 items not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, nor differences relating to investments in subsidiaries where the timing of reversal of the temporary difference can be controlled and it is not probable that they will 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 excess.

[f] Share capital

The Company records proceeds from shares issued net of issuance costs and any tax effects. Common shares issued for consideration other than cash are valued based on their market value at the date the common shares are issued.

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to the shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

[g] Foreign currency translation

The Company's reporting and functional currency of all its operations is the Canadian dollar as this is the principal currency of the economic environment in which the Company operates. Transactions in foreign currencies are initially recorded into the functional currency by applying the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the statement of financial position date. Nonmonetary assets and liabilities are translated at historical exchange rates, unless the item is carried at fair value, in which case it will be translated at the exchange rate in effect at the date when the fair value was determined.

[h] Loss per share

Loss per share is calculated using the weighted average number of shares outstanding during the period. Diluted loss per share is calculated using the treasury stock method whereby all in-the-money options and warrants are assumed to have been exercised at the beginning of the period and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the period. In periods of loss, basic and diluted loss per share are the same, as the effect of the exercise of outstanding options and warrants is anti-dilutive.

[i] Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held-for-trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held-for-trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of the Company's financial instruments under IFRS 9 *Financial Instruments*:

Financial Asset/Liabilities	Classification
Cash and cash equivalents	FVTPL
Accounts payable	Amortized cost
Loan payable	Amortized cost

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

[i] Financial instruments (continued)

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 statement of loss and 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 statement of loss and comprehensive loss in the period in which they arise.

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 statement of loss and comprehensive loss.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a 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 recognized in profit or loss.

[j] Accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early-adopted. These standards are not expected to have a material impact on the Company in the current or future reporting periods.

[k] New standards, interpretations, and amendments

IAS 1, Presentation of Financial Statements ("IAS 1") and IFRS Practice Statement 2: In February 2021, the IASB issued amendments to IAS 1 and the IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on the application of materiality judgements to accounting policy disclosures. The amendments to IAS 1 replace the requirement to disclose 'significant' accounting

(Expressed in Canadian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

[k] New standards, interpretations, and amendments (continued)

policies with a requirement to disclose 'material' accounting policies. Guidelines and illustrative examples are added in the Practice Statement to assist in the application of materiality concept when making the judgements about accounting policy disclosures. Effective January 1, 2023, the Company adopted these amendments prospectively. These amendments had no material impact to these financial statements.

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. As at December 31, 2023, the Company held GICs of $232,952 (December 31, 2022 - $nil).

5. PREPAID EXPENSES

	December 31, 2023	**December 31, 2022**
	$	**$**
Prepaid insurance	6,649	1,185
Prepaid research project expenses	104,920	8,493
Prepaid investor relations expenses	97,156	60,000
Prepaid expense – other	62,959	-
Total	271,684	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) and sets out the payment schedule to satisfy the development milestones funding obligations. Pursuant to a collaborative research agreement between the Company and McMaster dated July 20, 2023 with an effective date of July 1, 2023 (the "Spray CRA"), the Company advances funds for the sponsored research project work led by the McMaster lead researchers to further develop the Spray Technology (as defined in Note 6).

The Company entered into two investor relations services agreements during the year for which services had not been completed as of December 31, 2023. During the year ended December 31, 2023, payments totaling $507,421 were made to these two service providers of which $97,156 is included in prepaid expenses as at December 31, 2023 and are amortized over the periods which they relate to.

6. LICENSE AND COLLABORATIVE RESEARCH AGREEMENTS

The Company and McMaster entered into a license agreement (the "License Agreement") dated February 5, 2021, and amended July 14, 2021, July 15, 2022 and March 3, 2024, in respect of certain

(Expressed in Canadian dollars)

6. LICENSE AND COLLABORATIVE RESEARCH AGREEMENTS (CONTINUED)

protective surface coating film technology and patents (the "Licensed Technology") which formed the primary basis of the Company's business, 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 related to the REPELWRAP™ film project 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 full 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
- provide funding for development milestones totaling $650,000, of which $350,000 was required in year one and minimum funding of $150,000 per year was required for two years starting twelve (12) months after the effective date of the License Agreement.

The Collaborative Research Agreement sets out the detailed funding schedule to satisfy the development milestone funding requirements of $650,000 pursuant to the License Agreement, upon receipt of invoices from McMaster and provided the research aims are approved by the Company, as follows:

Proposed Invoice Date	Amount
November 24, 2021 (paid)	$175,000
August 25, 2022 (paid)	$87,500
January 1, 2023 (paid)	$87,500
March 1, 2023 (paid)	$75,000
May 1, 2023 (paid)	$37,500
July 1, 2023 (paid)	$37,500
September 1, 2023(1)	$75,000
January 1, 2024(1)	$37,500
May 1, 2024	$37,500

(1) Invoice received and paid subsequent to December 31, 2023.

In addition, on December 12, 2023, the Company and McMaster entered into the collaborative research agreement (the "Catheter Coating CRA"), with an effective date of December 1, 2023, with a term of two years, which sets out the maximum payment terms upon receipt of invoices from McMaster to provide research funding related to research and development activities related to the development of a catheter coating formulation using the Licensed Technology. In the first and second year, maximum research funding to McMaster will be $150,547 each year. To December 31, 2023, $nil has been paid related to the Catheter Coating CRA as no invoices were received to December 31, 2023.

(Expressed in Canadian dollars)

6. LICENSE AND COLLABORATIVE RESEARCH AGREEMENTS (CONTINUED)

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, 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;
- no minimum annual royalty as long as the License Agreement is still in effect; and
- commit maximum research funding to McMaster of $85,169 for 2023 and $168,468 for 2024 upon receipt of invoices from McMaster, to support continued research and development activities of the Spray Technology.

In addition, the Company entered into a Spray CRA with McMaster (see Note 5) that allows the Company to work with McMaster to advance the Spray Technology and sets out the payment schedule for the development milestone funding for the funding commitments set out in the Spray License Agreement, as follows:

Proposed Invoice Date	Maximum Amount
On signing (paid)	$28,389.67
October 15, 2023(1)	$28,389.67
December 31, 2023(2)	$28,389.67
March 31, 2024(3)	$42,116.90
June 30, 2024	$42,116.90
September 30, 2024	$42,116.90
December 31, 2024	$42,116.90

(1) Paid subsequent to December 31, 2023.
(2) Invoice dated and paid subsequent to December 31, 2023.
(3) Invoice received subsequent to December 31, 2023.

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 as at December 31, 2023, were amounts totaling $125,376 (December 31, 2022 – $540,289) due to related parties.

(Expressed in Canadian dollars)

7. RELATED PARTY DISCLOSURE (CONTINUED)

The following related party fees were incurred:

	Year Ended December 31, 2023	Year Ended December 31, 2022
	$	$
Directors' fees	54,397	92,976
Management fees	639,940	572,938
Share based payment	292,695	66,660
Total	987,032	732,574

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 9).

On May 25, 2023, the Company issued 150,000 common shares to an officer pursuant to the vesting of 150,000 RSUs (Note 9).

8. LOAN PAYABLE

As at December 31, 2023, the Company had a loan payable to third party for $nil (2022- $25,000). The loan was unsecured, non-interest bearing and had no fixed terms of repayment.

9. SHARE CAPITAL

[a] Authorized

Unlimited number of common shares without par value.

[b] Issued

As at December 31, 2023, 53,284,893 common shares were issued and outstanding (December 31, 2022 – 37,965,773). As at December 31, 2023, 24,725,402 common shares (December 31, 2022 – 36,469,666) are subject to voluntary pooling and/or escrow restrictions summarized as follows: 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.

9. SHARE CAPITAL (CONTINUED)

[b] Issued (continued)

During the year ended December 31, 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 9(c)) financing of $4,001,400 held in escrow was released to the Company. Each Subscription Receipt was automatically converted into one Unit (as defined in Note 9(c)), and the Company issued an aggregate of 13,338,000 common shares and 6,669,000 warrants. The Company paid aggregate cash finders fees 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 exercise 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. (Note 7).

iv. On August 15, 2023, the Company issued 61,920 common shares pursuant to the exercise of 61,920 broker warrants at $0.15 per common share for proceeds of $9,288.

v. On August 16, 2023, the Company issued 138,400 common shares pursuant to the exercise of 138,400 broker warrants at $0.15 per common share for proceeds of $20,760.

vi. On September 18, 2023, the Company issued 500,000 common shares pursuant to the exercise of 500,000 share purchase warrants at $0.10 per common share for proceeds of $50,000.

vii. On September 26, 2023, the Company issued 194,500 common shares pursuant to the exercise of 194,500 broker warrants at $0.15 per common share for proceeds of $29,175.

viii. On November 7, 2023, the Company issued 23,904 common shares pursuant to the exercise of 23,904 broker warrants at $0.15 per common share for proceeds of $3,586.

ix. On November 8, 2023, the Company issued 21,216 common shares pursuant to the exercise of 21,216 broker warrants at $0.15 per common share for proceeds of $3,182.

x. On December 22, 2023, the Company issued 248,167 common shares pursuant to the exercise of 248,167 broker warrants at $0.15 per common share for proceeds of $37,225.

9. 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 and $560 for fair value of 8,000 broker warrants.

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. If the Escrow 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.

9. SHARE CAPITAL (CONTINUED)

[c] Subscription Receipts (continued)

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 9(b)). As at December 31, 2023, the Company had no Subscription Receipts outstanding (December 31, 2022 – 13,338,000).

[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 year ended December 31, 2023 is based on the historical share prices of comparable companies.

(Expressed in Canadian dollars)

9. SHARE CAPITAL (CONTINUED)

[d] Options (continued)

The continuity of options to December 31, 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, December 31, 2023	2,741,667	0.25
Vested and exercisable at December 31, 2023	1,333,331	0.25

A summary of the Company's options outstanding as at December 31, 2023 is as follows:

Expiry Date	Exercise Price $	Number Outstanding	Remaining Life of Options (Years)	Number Exercisable
April 22, 2027	0.15	991,667	3.31	649,999
December 24, 2027	0.30	300,000	3.98	200,000
January 24, 2028	0.30	1,450,000	4.07	483,332
		2,741,667	3.78	1,333,331

During the year ended December 31, 2023, the Company recognized share-based payments of $311,321 (December 31, 2022 - $97,141) relating to options granted and vested during the period.

[e] Warrants

A summary of the warrant activity to December 31, 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
Warrants exercised	(500,000)	0.10
Balance, December 31, 2023	14,619,000	0.28

(Expressed in Canadian dollars)

9. SHARE CAPITAL (CONTINUED)

[e] Warrants (continued)

Details of warrants outstanding as at December 31, 2023are as follows:

Date of Expiry	**Number of Warrants Outstanding**	**Exercise Price $**
March 10, 2024[1]	7,950,000	0.10
February 1, 2025	6,669,000	0.50
	14,619,000	

[1] Reflects the amended expiry date of the warrants, as amended by the Company during the year ended December 31, 2023. Subsequent to December 31, 2023, 7,850,000 of these warrants were exercised and 100,000 expired unexercised.

The weighted average remaining contractual life of the warrants outstanding as at December 31, 2023 is 0.60 years.

[f] Broker warrants

A summary of the broker warrant activity to December 31, 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	985,520	0.30
Exercised	(688,107)	(0.15)
Balance, December 31, 2023	993,520	0.30

Details of broker warrants outstanding as at December 31, are as follows:

Expiry Date	**Number Outstanding**	**Exercise Price $**
January 20, 2024[1]	8,000	0.15
February 1, 2025	985,520	0.30
	993,520	

[1] Subsequent to December 31, 2023, these warrants expired unexercised.

The weighted average remaining contractual life of the broker warrants outstanding as at December 31, 2023 is 1.08 years.

(Expressed in Canadian dollars)

9. 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 December 31, 2023, 4,150,000 Bonus Shares (December 31, 2022 – 4,150,000 Bonus Shares) have been reserved for issuance, and no Bonus Shares have been issued. The Company has not recognized any share-based payment expense in connection with these Bonus Shares as the likelihood of achieving the milestones is not considered probable.

[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 year ended December 31, 2023, the Company recognized $45,000 as share-based payments related to RSUs (2022 - $nil). As at December 31, 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.

10. OPERATING EXPENSES

Professional fees are comprised of the following:

	Year Ended December 31, 2023 $	Year Ended December 31, 2022 $
Audit fees	77,244	30,000
Legal fees – general corporate	254,005	170,491
Legal fees – intellectual property and other	90,852	122,168
Total	422,101	322,659

(Expressed in Canadian dollars)

10. OPERATING EXPENSES (CONTINUED)

Research and development expenses are comprised of the following:

	Year Ended December 31, 2023	**Year Ended December 31, 2022**
	$	**$**
Research and development	316,429	222,923
License and royalty fees	5,000	5,000
Total	321,429	227,923

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value
The Company's financial instruments at December 31, 2023 include cash and cash equivalents 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 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 December 31 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 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.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

[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 gross proceeds of $1,500,000 from the closing of private placements and $785,000 from the exercise of warrants subsequent to December 31, 2023 (see Note 13), there can be no assurance of continued access to significant equity funding. As at December 31, 2023, the Company had working capital of $43,191. As at December 31, 2023, the Company's financial liabilities were comprised of accounts payable and accrued liabilities totaling $519,698 all of which have contractual maturities of less than 3 months.

[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 December 31, 2023, the Company held $266,791 (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 and Euros. The Company has not entered into foreign exchange derivative contracts.

As at December 31, 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 $2,316 (December 31, 2022 - $3,725) on the Company's results of financial position based on the Company's net exposure as at December 31, 2023 and December 31, 2022.

	December 31, 2023 US$	December 31, 2022 US$
Accounts payable	17,509	27,500

(Expressed in Canadian dollars)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

[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 years ended December 31, 2023 and 2022.

12. INCOME TAXES AND INVESTMENT TAX CREDITS

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

	Year Ended December 31, 2023 $	**Year Ended December 31, 2022 $**
Loss for the year	(3,663,213)	(1,899,748)
Expected income tax recovery	(989,068)	(512,932)
Share issuance costs	(30,623)	(30,623)
Non-deductible expenditures	78,538	30,327
Other	(1,472)	12,975
Change in unrecognized deductible temporary differences	942,625	500,253
Total income tax recovery	-	-

During the year ended December 31, 2023, the Company received refundable investment tax credits for qualifying scientific research and experimental development ("SR&ED") expenses, of $62,302 related to its 2022 Canadian income tax return and $8,819 related to its 2021 Canadian income tax return (December 31, 2022 - $nil and $nil).

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

(Expressed in Canadian dollars)

12. INCOME TAXES AND INVESTMENT TAX CREDITS (CONTINUED)

Deferred tax assets (liabilities)	**As at December 31, 2023 $**	**As at December 31, 2022 $**
Share issuance costs	156,298	41,341
Equipment	-	1,000
Non-capital losses available for future periods	1,730,018	893,140
SRED Pool	66,000	9,000
	1,952,316	944,481
Unrecognized deferred tax assets (liabilities)	(1,952,316)	(944,481)
Net deferred tax assets	-	-

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:

Temporary Differences	**Year Ended December 31, 2023**	**Expiry Date Range**	**Year Ended December 31, 2022**	**Expiry Date Range**
Non-capital losses available for future periods	$ 6,407,474	2038 to 2043	$ 3,307,925	2038 to 2041

13. SUBSEQUENT EVENTS

On February 2, 2024, the Company closed a non-brokered private placement and issued an aggregate of 2,625,000 shares at $0.20 per unit, for gross proceeds of $525,000. Each unit consists of one common share and one warrant. Each warrant would entitle the holder to purchase an additional common share at an exercise price of $0.40 per share for a period of three years following the date closing date subject to an acceleration right. The Company paid finders fees to eligible finders comprised of $8,000 in cash and 170,000 finder units and issued 210,000 finder warrants. Each finder unit is comprised of one unit and each finder warrant is exercisable into one common share at an exercise price of $0.20 for 36 months from the closing date of the Offering. On March 25, 2024, the Company completed a second closing and issued an aggregate of 4,875,000 shares at $0.20 per unit for gross proceeds of $975,000. Pursuant to this closing, the Company paid finders fees of $32,400 in cash and 126,200 finder units and issued 288,200 finder warrants.

Subsequent to December 31, 2023, the Company received aggregate proceeds of $785,000 from the exercise of 7,850,000 share purchase warrants at $0.10 per share and issued an aggregate of 7,850,000 common shares pursuant to the warrant exercises.

On March 12, 2024, the Company issued 500,000 common shares to a vendor to settle $112,500 of advisory fees incurred in 2023 that were recorded as accrued liabilities as at December 31, 2023, and were payable through the issuance of common shares.

On April 8, 2024, the Company issued 500,000 common shares to a vendor to settle $100,000 of advisory fees that were payable through the issuance of common shares.