



**CONSOLIDATED FINANCIAL STATEMENTS of  
WILLOW BIOSCIENCES INC.**

**For the Years Ended December 31,  
2024 and 2023**

**(In thousands of Canadian dollars)**

TSX: WLLW  
OTCQB: CANSF  
[www.willowbio.com](http://www.willowbio.com)



## **MANAGEMENT'S REPORT**

The accompanying consolidated financial statements of Willow Biosciences Inc. (the "Company") are the responsibility of management. The consolidated financial statements have been prepared by management in Canadian dollars in accordance with IFRS Accounting Standards, as issued by the International Accounting Standards Board and include certain estimates that reflect management's best judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances.

Management has the overall responsibility for internal controls and maintains a system of internal controls over financial reporting that provides reasonable assurance that the financial information is relevant, reliable, and accurate and that the Company's assets are properly accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility with the assistance of the Audit Committee. This Committee, consisting of non-management directors, meets with management and independent auditors to ensure that each group is properly discharging its responsibilities and to discuss adequacy of internal controls, accounting policies and financial reporting matters. The Audit Committee has reviewed the consolidated financial statements and has reported thereon to the Board of Directors. The Board of Directors has approved the consolidated financial statements and authorized them for issuance to shareholders.

KPMG LLP, an independent firm of Chartered Professional Accountants, has been engaged, as approved by the shareholders of the Company, to provide an independent audit opinion on the Company's consolidated financial statements. Their report, contained herein, outlines the nature of their audit and expresses an unqualified opinion on the consolidated financial statements.

*(Signed)*

Chris Savile  
President and Chief Executive Officer  
March 25, 2025

*(Signed)*

Travis Doupe  
Chief Financial Officer  
March 25, 2025



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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Willow Biosciences Inc.

### **Opinion**

We have audited the consolidated financial statements of Willow Biosciences Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2024 and December 31, 2023
- the consolidated statements of comprehensive loss for the years then ended
- the consolidated statements of changes in shareholders' equity (deficiency) for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2024 and December 31, 2023, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's report.

We are independent of the Entity 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 in the financial statements, which indicates that the Entity is in the development stage and it has current liabilities in excess of current assets, incurred a net loss, used cash flow in operating activities and will continue to need funds to support general corporate activities and general and administrative costs.

As stated in Note 1 in the financial statements, these events or conditions, along with other matters as set forth in Note 1 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity'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 for the year ended December 31, 2024. 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.

In addition to the matter described in the "***Material Uncertainty related to Going Concern***" section of the auditor's report, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

#### ***Determination of distinct performance obligations within research and development revenue contracts and allocation of the transaction price and upfront payments***

##### ***Description of the matter***

We draw your attention to Note 3(g), Note 4(b) and Note 5 of the financial statements. For the year ended December 31, 2024, research and development ("R&D") revenue recognized was \$4.7 million. Significant judgment may be required to determine the distinct performance obligations within a contract and the allocation of the transaction price and upfront payments to each performance obligation in the contract. When multiple performance obligations are identified in a contract, the transaction price is allocated based on the stand-alone selling price of each performance obligation.

##### ***Why the matter is a key audit matter***

We identified the determination of distinct performance obligations within R&D revenue contracts and allocation of the transaction price and upfront payments as a key audit matter. Significant auditor judgment was required to evaluate the Company's judgments of the determination of the distinct performance obligations within a contract and the allocation of the transaction price and upfront payments to each performance obligation.

##### ***How the matter was addressed in the audit***

The following are the primary procedures we performed to address this key audit matter:

- Obtained and read certain of the Company's R&D revenue contracts, contract amendments and work orders, if any, with customers to evaluate the Company's determination of distinct performance obligations.
- We selected a sample of R&D revenue transactions recognized during the year ended December 31, 2024 and compared the amount of R&D revenue recognized to contracts and source documents to test the amount recognized and the period when the performance obligation was satisfied.



- We evaluated the timing of revenue recognized by comparing a sample of R&D revenue transactions recognized both before and subsequent to December 31, 2024 to contracts and source documents to assess whether the revenue was recognized in the appropriate period.

### ***Other Information***

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will 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 and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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 Entity'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 Entity'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 Entity 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.
- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, 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 auditor's 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 auditor's report is Jason Grodziski.

*KPMG LLP*

Chartered Professional Accountants

Calgary, Canada  
March 24, 2025

**Willow Biosciences Inc.**  
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**Willow Biosciences Inc.**  
**Consolidated Statements of Financial Position**

In thousands of Canadian dollars	Note	December 31 2024	December 31 2023
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 333	\$ 3,145
Accounts receivable		39	166
Short-term investments		20	20
Deposits and prepaid expenses	6	209	619
Inventory		56	221
		657	4,171
<b>Property, plant and equipment</b>	7	499	1,056
<b>Right-of-use assets</b>	8	1,176	1,382
<b>Long-term deposits</b>	6	157	64
		\$ 2,489	\$ 6,673
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		\$ 648	\$ 635
Current portion of lease liabilities	8	970	649
Deferred share awards liability	10g	208	320
Deferred revenue	5	167	126
		1,993	1,730
Lease liabilities	8	287	831
Convertible debenture	11	714	676
		2,994	3,237
<b>Shareholders' equity (deficiency)</b>			
<b>Share capital and warrants</b>	9,10	120,888	118,176
<b>Equity component of convertible debentures</b>	11	44	44
<b>Contributed surplus</b>		6,753	7,314
<b>Accumulated other comprehensive loss</b>		(316)	(413)
<b>Deficit</b>		(127,874)	(121,685)
<b>Total shareholders' (deficit) equity</b>		(505)	3,436
		\$ 2,489	\$ 6,673

See accompanying notes to these consolidated financial statements.

Going concern – Note 1  
Subsequent event – Note 22

**Willow Biosciences Inc.**  
**Consolidated Statements of Comprehensive Loss**

In thousands of Canadian dollars	Note	Year Ended December 31,	
		2024	2023
<b>Revenues</b>			
Research and development	5	\$ 4,662	\$ 1,172
<b>Total revenue</b>		4,662	1,172
<b>Operating Expenses</b>			
General and administrative	12	3,503	5,598
Research and development	12	5,057	6,800
Share based compensation	10c	297	420
Depreciation and amortization	7,8	1,386	1,831
Gain on sale of property, plant and equipment		(135)	-
Foreign withholding tax expense	18	538	-
Foreign exchange loss (gain)		7	(295)
<b>Total operating expenses</b>		10,653	14,354
<b>Loss from operating activities</b>		(5,991)	(13,182)
Gain on fair value of warrant liability		-	23
Net finance (expense) income	15	(195)	125
<b>Loss before income tax</b>		(6,186)	(13,034)
Current income tax expense	20a	3	10
Deferred income tax recovery	20a	-	(15)
Total income tax expense (recovery)	20a	3	(5)
<b>Net loss</b>		(6,189)	(13,029)
Foreign exchange gain (loss) on translation of foreign operations		97	(48)
<b>Net comprehensive loss</b>		\$ (6,092)	\$ (13,077)
<b>Loss per share: Basic and diluted</b>	13	\$ (0.05)	\$ (0.10)

See accompanying notes to these consolidated financial statements.

**Willow Biosciences Inc.**  
**Consolidated Statements of Changes in Shareholders' Equity (Deficiency)**  
**For the years ended December 31,**

In thousands of Canadian dollars, except for common share figures	Number of Common Shares	Share capital and Warrants	Convertible debenture – equity portion	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
	(Note 10)	(Note 10,11)	(Note 11)	(Note 10)			
<b>December 31, 2023</b>	124,437,823	\$ 118,176	\$ 44	\$ 7,314	\$ (413)	\$ (121,685)	\$ 3,436
Convertible debenture – interest payment	1,087,223	96	-	-	-	-	96
Exercising of equity settled awards	411,145	972	-	(970)	-	-	2
Private placement – issuance	2,512,987	270	-	-	-	-	270
Brokered Financing – issuance	16,397,365	1,640	-	-	-	-	1,640
Share issue costs		(266)					(266)
Share-based compensation	-	-	-	409	-	-	409
Foreign exchange gain on translation of foreign operations	-	-	-	-	97	-	97
Net loss for the period	-	-	-	-	-	(6,189)	(6,189)
<b>December 31, 2024</b>	144,846,543	\$ 120,888	\$ 44	\$ 6,753	\$ (316)	\$ (127,874)	\$ (505)

In thousands of Canadian dollars, except for common share figures	Number of Common Shares	Share capital and Warrants	Convertible debenture – equity portion	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
	(Note 10)	(Note 10,11)	(Note 11)	(Note 10)			
<b>December 31, 2022</b>	123,719,667	\$ 118,072	\$ -	\$ 7,323	\$ (365)	\$ (108,656)	\$ 16,374
Convertible debenture – issuance – net of tax	-	-	44	-	-	-	44
Convertible debenture - interest payment	193,775	21	-	-	-	-	21
Convertible debenture - warrants	-	31	-	-	-	-	31
Vesting of Restricted Share Awards	524,381	52	-	(52)	-	-	-
Share-based compensation	-	-	-	43	-	-	43
Foreign exchange loss on translation of foreign operations	-	-	-	-	(48)	-	(48)
Net loss for the year	-	-	-	-	-	(13,029)	(13,029)
<b>December 31, 2023</b>	124,437,823	\$ 118,176	\$ 44	\$ 7,314	\$ (413)	\$ (121,685)	\$ 3,436

See accompanying notes to these consolidated financial statements.

**Willow Biosciences Inc.**  
**Consolidated Statements of Cash Flows**

In thousands of Canadian dollars	Note	Year Ended December 31,	
		2024	2023
<b>Cash provided by (used for):</b>			
<b>Operating activities</b>			
Net loss		\$ (6,189)	\$ (13,029)
Items not affecting cash and cash equivalents:			
Share based compensation	10c	297	420
Depreciation and amortization	7,8	1,386	1,831
Gain on fair value of warrant liability		-	(23)
Interest on lease liabilities	8	121	113
Accretion on convertible debenture	11	38	8
Write-off of assets		-	19
Deferred income tax recovery		-	(15)
Gain on sale of property, plant and equipment		(135)	-
Cash settled deferred share awards	10g	-	(58)
Interest on convertible debenture	15	96	21
Net change in long-term deposits		(93)	(64)
Net change in non-cash working capital	16a	756	(207)
<b>Cash used in operating activities</b>		<b>(3,723)</b>	<b>(10,984)</b>
<b>Financing activities</b>			
Lease payments	8	(860)	(1,012)
Proceeds on convertible debenture	11	-	800
Transaction costs on convertible debenture	11	-	(42)
Share issuance costs		(266)	-
Proceeds from private placement	10	1,910	-
Proceeds from stock options exercised		2	-
<b>Cash from (used in) financing activities</b>		<b>786</b>	<b>(254)</b>
<b>Investing activities</b>			
Proceeds from sale of short-term investments		-	4,000
Expenditures on property, plant and equipment	7	(20)	(619)
Proceeds on disposal of property, plant and equipment		135	7
Direct costs on leased equipment		(37)	-
Net change in non-cash working capital	16a	-	77
<b>Cash from investing activities</b>		<b>78</b>	<b>3,465</b>
<b>Decrease in cash and cash equivalents</b>		<b>(2,859)</b>	<b>(7,773)</b>
<b>Effect of foreign exchange on cash and cash equivalents</b>		<b>47</b>	<b>(89)</b>
<b>Cash and cash equivalents, beginning of year</b>		<b>3,145</b>	<b>11,007</b>
<b>Cash and cash equivalents, end of year</b>		<b>\$ 333</b>	<b>\$ 3,145</b>

Supplementary cash flow information – Note 16b

See accompanying notes to these consolidated financial statements

## 1. Reporting Entity

Willow Biosciences Inc. (“Willow” or the “Company”) is a biotechnology company that develops and produces high-purity, plant derived ingredients for consumer care, food and beverage, and pharmaceutical products. The Company is an Alberta corporation with its head office in Calgary, Alberta and operations in Sunnyvale, California. The Company’s head office and registered office is located at 202, 1201-5th Street SW, Calgary AB, T2R 0Y6.

The consolidated financial statements comprise the Company and its wholly owned subsidiary. Epimeron, USA Inc. (“Epimeron”) is incorporated under the laws of Delaware, USA.

The Company’s shares are listed on the Toronto Stock Exchange (“TSX”) under the trading symbol “WLLW”, and under the trading symbol “CANSF” on the OTCQB® Market.

The Company is considered to be in the development stage, as most of its efforts have been devoted to research and development and it has not earned positive cash flow to date.

### Going Concern

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the discharge of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and meet its liabilities as they become due.

As at December 31, 2024, the Company has a net current liabilities of \$1.3 million, incurred a net loss of \$6.2 million and used \$3.7 million in cash for operations. On March 14, 2025, the Company announced the sale of its wholly-owned operating subsidiary, Epimeron USA, Inc., which encompasses 100% of the Company’s business operations. Upon closing of the transaction, the Company intends to apply a portion of the net proceeds to debt reduction and will retain the remainder of the proceeds pending a review of its future cash requirements and potential opportunities, with a view to maximizing shareholder value. The timing of a potential opportunity, is not known. Until a future opportunity is identified, the Company will continue to need funds to support general corporate activities, and general and administrative costs. Refer to Subsequent event - Note 22 for details.

These conditions indicate a material uncertainty exists that may cast significant doubt as to the Company’s ability to continue as a going concern. These financial statements do not reflect the adjustments that would be necessary if the going concern assumption was not appropriate. The necessary adjustments to the carrying values and classifications of assets and liabilities that would be required if the Company became unable to continue as a going concern could be material.

## 2. Basis of Presentation

### Statement of Compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards, as issued by the International Accounting Standards Board and are presented in thousands of Canadian dollars. A summary of the material accounting policies under IFRS are presented in Note 3, “Material accounting policies”. These policies have been applied consistently for all periods presented in these financial statements.

These consolidated financial statements were approved and authorized for issuance on March 24, 2025.

### Basis of Measurement

The financial statements have been prepared on the historical cost basis, except for certain items that have been measured at fair value.

### **Functional and Presentation Currency**

Unless otherwise stated, these financial statements are presented in Canadian (CAD) dollars. The Company's functional currency is the Canadian (CAD) dollar. The functional currency for the Company's wholly-owned United States subsidiary is the United States (USD) dollar.

### **Use of Estimates and Judgements**

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from these estimates.

### **3. Material accounting policies**

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

#### **a) Consolidation**

These consolidated financial statements include the accounts of the Company's subsidiary, Epimeron USA, Inc.

##### *Subsidiaries:*

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, substantive potential voting rights are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

##### *Transactions eliminated on consolidation:*

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

#### **b) Foreign currencies**

Transactions in foreign currencies are translated to the functional currency at exchange rates in effect at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate in effect at that date. The foreign currency gain or loss on monetary items has been recognized in net income or loss.

The Company's foreign operations that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency at period end exchange rates for assets and liabilities and at the average rate over the period for revenues and expenses. Translation gains and losses relating to the foreign operations are included as a component of shareholder' equity in Other Comprehensive Income/Loss.

#### **c) Financial Instruments**

##### *i. Financial assets*

The Company initially recognizes accounts receivable and deposits on the date that they originate. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

**Notes to Consolidated Financial Statements**  
For the years ended December 31, 2024 and 2023  
(amounts in thousands of Canadian dollars, except for share amounts)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

*ii. Financial Liabilities*

Accounts payable and accrued liabilities are initially measured at fair value net any transaction costs directly attributable to the issuance of the instrument and are subsequently measured at amortized cost. The convertible debenture is measured at fair value net of transaction costs incurred during the issuance and is subsequently measured at amortized cost. Deferred share awards are measured at fair market value based on the closing price for the Companies stock and the end of the reporting period.

**d) Property, Plant and Equipment and Right-of-use assets**

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost and any cost directly attributable to bringing the asset into operation. Amortization is calculated using the straight line method over the duration of the asset, except for leasehold improvements and the right-of-use assets, which uses the life of the lease.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount with any gain or loss recognized in earnings.

<b>Category</b>	<b>Policy</b>	<b>Duration</b>
Leasehold Improvements	Straight line amortization	Over the life of the lease
Lab Equipment	Straight line amortization	Three years
Information Technology	Straight line amortization	Three years
Office Furniture and Equipment	Straight line amortization	Five years
Right-of-use assets	Straight line amortization	Over the life of the lease

**e) Leases**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Leases are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Company.

A lease liability is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date, discounted at the Company's incremental borrowing rate where the rate implicit in the lease is not readily determinable. The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics. Each lease payment is allocated between the liability and lease interest expense. The lease interest expense is charged to the consolidated statement of comprehensive loss over the lease term to produce a constant periodic rate of interest on the remaining balance of the liability for each period. A corresponding right-of-use asset is recognized at the amount of the lease liability.

**f) Convertible debentures**

Convertible debentures are financial instruments, where all significant terms of the agreement are known, are separated into their liability and equity components and accounted for using effective interest rate method. The fair value of the liability component and the accompanying warrants at the time of issue was determined based on an estimated interest rate of the debentures without the conversion feature. The fair value of the equity component was determined as the difference between the face value and the fair value of the liability component. Transaction costs are proportionately allocated to the debt and equity components.

**g) Revenue recognition**

*Research and development revenue*

**Notes to Consolidated Financial Statements**  
For the years ended December 31, 2024 and 2023  
(amounts in thousands of Canadian dollars, except for share amounts)

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The Company performs research and development activities as specified in each respective customer agreement. Each performance obligation is identified in the research and development agreements at contract inception and is allocated based on each distinct performance obligation. Performance obligations included in the research and development agreements typically include research and development services for a specified term and require periodic reports.

In 2024, the Company signed two contracts where the underlying product developed for the customer does not create an asset with an alternative use to the Company. Since the research and development performed is highly specialized, the customer receives benefits as the Company performs the work towards completion, therefore, performance obligations are generally satisfied over time as the service is performed. The research and development agreements are based on a contractual rate per dedicated project team working on the project. For each performance obligation that is satisfied over time, the Company recognizes revenue using a single measure of progress either based on hours incurred or output of services performed.

Customer contracts frequently provide customers with rights to use or access the Company's products or technology, along with other promises or performance obligations. To determine whether the licence is distinct from other promises, the Company determines that if the customer cannot benefit from the licence without the research and development obligations, the licence will be accounted for as combined with the other performance obligations. If it is determined that a licence is distinct and has significant standalone functionality, the licence revenues are recognized at a point in time when the licence is transferred to the customer, and the customer can use and benefit from it.

**h) Research and Development**

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is expensed as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. A development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically, and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset.

**i) Impairment**

The Company assesses at each reporting date whether there is any indication that an asset or a group of assets is impaired.

An asset or group of assets may be impaired when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels (cash-generating units or "CGU") for which there are separately identifiable cash flows that are largely independent of the cash flows of other assets or CGUs. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant assets or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Company re-evaluates impairment losses for potential reversals when events or circumstances warrant such consideration. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of any depreciation or amortization, if no impairment loss had been recognized.

**j) Share based payments**

The Company has equity-settled long-term incentive share-based compensation plans which provide for the granting of options, performance share awards ("PSAs") and restricted share awards ("RSAs") to directors, officers, and employees. There are no provisions for cash settlement in these plans.

The Company follows the fair value method of valuing share-based compensation instruments. Under this method, compensation cost is measured at fair value at the date of grant and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of an instrument, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

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The fair value of each tranche within an award is measured at the date of the grant using the Black-Scholes option pricing model. Assumptions used in the model include risk-free interest rate, underlying historic volatility, expected term of the instrument, expected dividends and estimated forfeiture rates. Service and non-market performance conditions attached to the transactions are not considered in determining fair value. The number of awards expected to vest is reviewed on an ongoing basis.

The Company also has a cash-settled, deferred share awards (“DSAs”) plan for its non-executive directors. The cost of the DSAs is recognized as a liability in the consolidated statements of financial position and as a share-based compensation expense in the consolidated statements of comprehensive loss. At each reporting date between the grant date and settlement date, the fair value of the liability is re-measured with any changes in fair value recognized in the consolidated statements of comprehensive loss.

**k) Income Tax**

Income tax comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantially enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled.

Deferred tax assets are recognized to the extent that it is probable that the future taxable profits will be available against which they can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. The Company reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of part or all of these deferred tax assets to be utilized. Such reduction is reversed to the extent that it becomes probable that sufficient taxable income will be available.

**l) Per share amounts**

Basic loss per share (“EPS”) is calculated by dividing the net loss for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The Company uses the treasury stock method to determine the dilutive effect of issued instruments (stock options, and warrants). This method assumes that proceeds received from the exercise of in-the-money instruments are used to repurchase common shares at the average market price for the period.

**m) Recently Adopted Accounting Standards**

On January 1, 2024, the Company adopted the amendments to IAS 1 Presentation of Financial Statements (“IAS 1”). The amendments clarify the requirements for the presentation of liabilities as current or non-current in the statements of financial position and specify the classification and disclosure of a liability with covenants. There was not a material impact to the Company’s financial statements.

**n) Future Accounting policies**

IFRS 18 Presentation and Disclosure in Financial Statements replaces IAS 1 Presentation of Financial Statements and will be effective for annual periods beginning on or after January 1, 2027, with early adoption permitted. IFRS 18 will introduce new totals, subtotals, and categories for income and expense in the statement of income, as well as requiring disclosure

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about management-defined performance measures and additional requirements regarding the aggregation and disaggregation of certain information. The Company is currently evaluating the impact on its financial statements.

#### 4. Significant judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in these consolidated financial statements and notes. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant judgements and estimates made by management affecting the consolidated financial statements include:

##### a) Share-based payment transactions

The Company measures share-based payment transactions by reference to the fair value of the stock options at the date at which they are granted. Estimating the fair value for granted stock options is completed using the Black-Scholes option pricing model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model, including the expected life of the option, volatility, and forfeitures. Estimating the value of the performance share awards is subject to the performance of the company and the individual. The assumptions and model used for estimating fair value for performance share-based payment transactions are disclosed in Note 10.

##### b) Revenue Recognition

Significant judgment may be required to determine the distinct performance obligations within a contract and the allocation of the transaction price and upfront payments to each performance obligation in the contract. When multiple performance obligations are identified in a contract, the transaction price is allocated based on the stand-alone selling price of each performance obligation.

##### c) Depreciation

Depreciation of property, plant and equipment is calculated using the straight-line method over the estimated useful life of the asset, with the exception of the leasehold improvements and right-of-use asset, which is assigned over the shorter of lease term or asset useful life on a straight-line basis.

#### 5. Revenue recognition

##### *Research and development*

During the year ended December 31, 2024 the Company earned \$4.7 million (December 31, 2023 - \$1.2 million) in research and development revenue.

As at December 31, 2024 the Company received \$167 thousand (December 31, 2023 - \$126 thousand) in non-refundable up-front fees for research and development contracts. Since the performance obligations have not been met, these have been recognized in deferred revenue under current liabilities and this will be recognized in revenue when the performance obligations have been satisfied.

#### 6. Deposits and Prepaids

Deposits and prepaid expenses consist of the following as at:

	<b>Year ended December 31</b>	
	<b>2024</b>	<b>2023</b>
Deposits	\$ 7	\$ 7

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Prepays <sup>1</sup>	202	612
Total deposits and prepaid expenses	\$ 209	\$ 619
Long-term deposits <sup>2</sup>	\$ 157	\$ 64

1 Includes \$27 thousand (December 31, 2023 - \$166 thousand) for Directors and Officers liability insurance, \$47 thousand (December 31, 2023 - \$132 thousand) for software subscriptions, nil (December 31, 2023 - \$149 thousand) for taxes paid and \$134 thousand (December 31, 2023 - \$165 thousand) for other prepaids.

2 Long-term deposits balance is for the leased lab space, the lease term concludes in February 2026 and leased equipment, for which the lease term concludes in October 2026.

## 7. Property, Plant and Equipment

	Leasehold improvements	Lab equipment	Software and IT	Office furniture and equipment	Total
<b>Cost</b>					
As at December 31, 2022	\$ 269	\$ 9,170	\$ 241	\$ 168	\$ 9,848
Additions	57	604	14	2	677
Disposals	(269)	(2,080)	(3)	(118)	(2,470)
Effects of changes in foreign exchange rates	1	3	(6)	-	(2)
As at December 31, 2023	\$ 58	\$ 7,697	\$ 246	\$ 52	\$ 8,053
Additions	-	20	-	-	20
Effects of changes in foreign exchange rates	5	514	15	4	538
As at December 31, 2024	\$ 63	\$ 8,231	\$ 261	\$ 56	\$ 8,611

	Leasehold improvements	Lab equipment	Software and IT	Office furniture and equipment	Total
<b>Accumulated depreciation</b>					
As at December 31, 2022	\$ 269	\$ 7,989	\$ 236	\$ 53	\$ 8,547
Depreciation	11	836	9	8	864
Disposals	(269)	(2,172)	(6)	(23)	(2,470)
Effects of changes in foreign exchange rates	1	54	2	(1)	56
As at December 31, 2023	\$ 12	\$ 6,707	\$ 241	\$ 37	\$ 6,997
Depreciation	22	603	6	5	636
Effects of changes in foreign exchange rate	2	459	14	4	479
As at December 31, 2024	\$ 36	\$ 7,769	\$ 261	\$ 46	\$ 8,112
<b>Net Book Value</b>					
As at December 31, 2023	\$ 46	\$ 990	\$ 5	\$ 15	\$ 1,056
As at December 31, 2024	\$ 27	\$ 462	\$ -	\$ 10	\$ 499

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## 8. Leases

### Right-of-use assets

The Company recognizes right-of-use assets and lease liabilities at commencement date. The right-of use asset is initially measured at cost, which comprises the initial amount of the liability, discounted at an incremental borrowing rate of 13.54% (December 31, 2023 - 10%).

During the year ended December 31, 2023, the Company recognized \$1.7 million in additions for new office and lab space.

During the year ended December 31, 2024, the Company recognized \$51 thousand in additions for renewed office space and \$393 thousand in leased equipment.

	Year Ended December 31	
	2024	2023
Balance, beginning of year	\$ 1,382	\$ 618
Additions	444	1,743
Depreciation	(750)	(967)
Effects of changes in foreign exchange rate	100	(12)
Balance, end of year	\$ 1,176	\$ 1,382

### Lease liabilities

During the year ending December 31, 2023, the Company recognized \$1.7 million in additions for new office and lab space. During the year ending December 31, 2024, the Company recognized additions of \$51 thousand for renewed office space and \$356 thousand in leased equipment. The additions to lease liabilities do not include initial direct costs of \$37 thousand.

The reconciliation of movements in lease liabilities is as follows:

	Year Ended December 31	
	2024	2023
Balance, beginning of year	\$ 1,480	\$ 664
Additions	407	1,718
Effects of changes in foreign exchange rate	109	(3)
Interest expense on lease liability	121	113
Payments	(860)	(1,012)
Balance, end of year	\$ 1,257	\$ 1,480
Lease liability - current	\$ 970	\$ 649
Lease liability - non-current	287	831
Balance, end of year	\$ 1,257	\$ 1,480
	<b>2024</b>	<b>2023</b>
2024	-	649
2025	970	704
2026	287	127
Total lease liabilities	\$ 1,257	\$1,480

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**9. Broker Warrants and Warrants**

**a) Broker warrants**

	<b>Number of Broker Warrants</b>	<b>Weighted Average Exercise Price \$</b>
Broker warrants at December 31, 2023	-	-
Issued with private placement	824,921	0.100
Issued with private placement	45,000	0.130
Broker warrants at December 31, 2024	869,921	0.102

In connection with the July 18, 2024, offering (Note 10b), the agent received a cash commission of \$86,992 and was issued 869,921 non-transferable broker warrants. Each broker warrant entitles the agent to purchase one (1) Unit for a period of 36 months following closing, with 824,921 broker warrants being exercisable at the Issue Price of \$0.10, and 45,000 broker warrants being exercisable at the exercise price of \$0.13.

The fair value of broker warrants granted during the three and twelve months ended December 31, 2024 has been estimated according to the Black-Scholes pricing model. The following assumptions were used in arriving at the fair value of \$0.06 per broker warrant:

	<b>December 31 2024</b>
Dividend	-
Risk-free interest	3.41%
Estimated life (years)	3
Expected volatility	94.16%

**b) Warrants**

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price \$</b>
Warrants at December 31, 2022	-	-
Issued with convertible debenture	3,809,600	0.105
Warrants at December 31, 2023	3,809,600	0.105
Issued with private placement	679,928	0.140
Issued with private placement	576,565	0.160
Issued with brokered financing (note 10b)	8,198,683	0.130
Warrants at December 31, 2024	13,264,776	0.125

On October 10, 2023, the Company issued 3,809,600 warrants that have an expiry of October 10, 2025. See Note 11 convertible debenture for additional information.

On February 20, 2024, the Company completed a private placement. This non-brokered equity private placement resulted in initial proceeds of US\$100,000; CAD\$134,870. The Company issued 1,359,856 units (each, a "Unit") at a subscription price of \$0.10 per Unit, each Unit consisting of one (1) common share in the capital of the Company (each, a "Common Share") and one-half of one (1/2) Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one (1) Common Share at a price of \$0.14 per Common Share until February 20, 2025; provided that if, at any time prior to the expiry date of the Warrants, the 20-day volume weighted average of actual closing prices of the Common Shares on the Toronto Stock Exchange ("TSX"), or other principal exchange on which the Common Shares are listed, is greater than \$0.18, the Company may accelerate the expiry date of the Warrants to the date that is 20 days following the date of the notice of such acceleration.

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On February 29, 2024, the Company completed a second private placement of an additional US\$100,000; CAD\$134,870 by way of non-brokered private placement. The Company issued 1,153,131 units (each, a "Unit") at a subscription price of \$0.12 per Unit, each Unit consisting of one (1) common share in the capital of the Company (each, a "Common Share") and one-half of one (1/2) Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one (1) Common Share at a price of \$0.16 per Common Share until March 1, 2025; provided that if, at any time prior to the expiry date of the Warrants, the 20-day volume weighted average of actual closing prices of the Common Shares on the TSX (or other principal exchange on which the Common Shares are listed, is greater than \$0.21, the Company may accelerate the expiry date of the Warrants to the date that is 20 days following the date of the notice of such acceleration.

In connection with the July 18, 2024 offering (Note 10b), the Company issued 8,198,683 warrants at an exercise price of \$0.13 per Common Share (the "Exercise Price") for a period of 36 months from the closing of the Offering (the "Closing"), subject to accelerated expiry in the event the volume-weighted average closing price of the Common Shares on the TSX is equal to or exceeds \$0.17 for ten (10) consecutive trading days. The Company incurred \$179 thousand in share issuance costs.

## 10. Share Capital

### a) Authorized

Unlimited number of common shares without par value.  
Unlimited number of preferred shares issuable in series.

### b) Issued and outstanding

	Number of Common Shares	Share Capital and Warrants
Balance at December 31, 2022	123,719,667	\$ 118,072
Common shares issued on vesting of restricted share awards	524,381	52
Issuance of convertible debenture - warrants	-	31
Common shares issued for interest payment on convertible debenture	193,775	21
Balance at December 31, 2023	124,437,823	\$ 118,176
Exercising of equity rewards	411,145	972
Common shares and warrants issued with private placement (note 9b)	2,512,987	270
Common shares and warrants issued with brokered financing	16,397,365	1,640
Share issuance costs	-	(266)
Common shares issued for interest payment on convertible debenture	1,087,223	96
Balance at December 31, 2024	144,846,543	\$ 120,888

On July 18, 2024, The Company completed a brokered private placement offering of 16,397,365 units ("Units") of the Company at a price of \$0.10 per Unit (the "Issue Price") for aggregate gross proceeds to the Company of \$1,639,737 (the "Offering"). Each Unit issued under the Offering consists of one (1) common share in the capital of the Company (each, a "Common Share") and one-half (1/2) of one Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire one (1) Common Share at an exercise price of \$0.13 per Common Share (the "Exercise Price") for a period of 36 months from the closing of the Offering (the "Closing"), subject to accelerated expiry in the event the volume-weighted average closing price of the Common Shares on the TSX is equal to or exceeds \$0.17 for ten (10) consecutive trading days.

### c) Share-based compensation expense

	Year Ended December 31	
	2024	2023
Stock options	\$ 189	\$ (114)
Restricted share awards	132	67
Performance share awards	88	90

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Equity-settled share-based compensation expense	409	43
Deferred share awards / Cash share-based compensation expense	(112)	377
Total	\$ 297	\$ 420

**d) Issued and outstanding employee stock options**

During the year ended December 31, 2024, 4,584,000 stock options (2023 – 6,510,000) were granted to employees and board members, 1,079,001 stock options (2023 – 4,132,708) were forfeited due to terminations and nil stock options (2023 – 1,464,800) were surrendered by the executive team.

	Number of Employee Stock Options	Weighted Average Exercise Price \$
Options at December 31, 2022	7,581,188	1.18
Forfeited	(5,597,508)	1.17
Issued	6,510,000	0.08
Options at December 31, 2023	8,493,680	0.34
Forfeited	(1,079,001)	0.13
Expired	(961,832)	1.34
Issued	4,584,000	0.09
Exercised	(16,667)	0.09
Options at December 31, 2024	11,020,180	0.17

The following table summarizes information about the options outstanding and exercisable at December 31, 2024.

Exercise Price (\$)	Options Outstanding	Average Remaining life (years)	Options Exercisable
0.07 – 0.32	9,569,000	3.66	1,736,669
0.33 – 0.63	964,180	1.52	766,025
0.64 – 1.00	99,000	1.12	99,000
1.01 – 1.75	388,000	1.23	388,000
	11,020,180		2,989,694

The fair value of options granted during the year ended December 31, 2024, and 2023 has been estimated according to the Black-Scholes option pricing model. The following assumptions were used in arriving at the weighted average fair value of \$0.05 per option (December 31, 2023 - \$0.05):

	December 31 2024	December 31 2023
Dividend	-	-
Risk-free interest	3.02% - 3.97%	3.08% - 4.00%
Estimated life (years)	3.04 - 3.16	3.38 - 3.82
Expected volatility	91.59% - 94.03%	90.00% - 91.95%
Forfeitures	30.68% - 31.52%	21.09% - 33.93%

**e) Restricted share awards (“RSAs”)**

During the year ended December 31, 2024, nil (December 31, 2023 -2,240,000) RSAs were granted. The RSAs vest in one-third increments on the first, second and third anniversaries of the date of grant. The Company estimates the fair value of RSAs based on the market price of the underlying stock on the date of grant.

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	Number of restricted share awards	Weighted average grant date fair value \$
RSAs at December 31, 2022	1,998,224	0.49
Released upon vesting	(524,381)	0.67
Forfeited	(1,044,066)	0.35
Issued	2,240,000	0.08
RSAs at December 31, 2023	2,669,777	0.16
Released upon vesting	(277,887)	0.72
Forfeited	(28,333)	0.11
RSAs at December 31, 2024	2,363,557	0.10

**f) Performance share awards (“PSAs”)**

During the year ended December 31, 2024, nil (December 31, 2023 - 30,000) PSAs were granted. The PSAs vest three years from the date of grant. The Company estimates the fair value of PSAs based on the market price of the underlying stock on the date of grant.

	Number of performance share awards	Weighted average grant date fair value \$
PSAs at December 31, 2022	965,110	0.72
Forfeited	(394,226)	0.57
Issued	30,000	0.09
PSAs at December 31, 2023	600,884	0.79
Released upon vesting	(116,591)	1.50
Cancelled	(116,592)	1.50
Forfeited	(15,000)	0.28
PSAs at December 31, 2024	352,701	0.34

**g) Deferred share awards (“DSAs”)**

During the year ended December 31, 2024, nil (December 31, 2023- 3,840,000) DSAs were granted. The DSAs vest immediately when they are granted. The DSAs are payable at the discretion of the holder at the time they cease to hold office of director for any reason and are settled by a lump-sum cash payment, in accordance with the terms of the DSA plan. The company estimates the fair value of the cash payout based on the market price of the underlying units at the end of each reporting period.

The following table summarizes the change in the number of DSAs:

	Number of Deferred share awards
DSA’s at December 31, 2022	-
Issued	3,840,000
Settled	(640,000)
DSA’s at December 31, 2023 and December 31, 2024	3,200,000

The following table summarizes the change in compensation liability relating to the DSAs:

	Value of liability \$
DSA’s at December 31, 2022	-
Granted	365
Change in accrued compensation liabilities	13

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Cash settled	(58)
DSAs at December 31, 2023	\$ 320
Change in accrued compensation liabilities	(112)
DSAs at December 31, 2024	\$ 208

The compensation liability was calculated using the share price at December 31, 2024 of \$0.065 (December 31, 2023 of \$0.10)

## 11. Convertible Debenture

On October 10, 2023, the Company closed a non-brokered private placement of convertible debenture units (“Debenture Units”) for gross proceeds of \$800 thousand. Each Debenture Unit consists of \$1 thousand in principal amount of unsecured convertible debenture of the company and 4,762 common share purchase warrants. The convertible debenture bears interest at 12% per annum, is paid semi-annually in arrears in cash or common shares at the Company’s option and matures on October 10, 2026. Each warrant is exercisable at \$0.105 per share until October 10, 2025. The convertible debentures are convertible at the holder’s option into common shares at a fixed conversion price of \$0.105 per share.

As the debenture has a conversion feature, the equity and debt components must be bifurcated with value assigned to each as well as to the warrants issued as part of the offering. The value assigned to the liability on the date of issuance was the present value of the contractually determined stream of future cash flows discounted at 18%, being the estimated rate that the market would apply to an instrument with comparable credit status and provide substantially the same cash flows, on the same terms, but without the conversion option or warrants. From the date of issuance, the liability component accretes up to its principal value using the effective interest method, with the charge recorded in the consolidated statement of loss. The fair value assigned to the warrants and the conversion feature, on the date of issuance, was based on the Black-Scholes option pricing model for each and assigned on a relative fair value basis. This resulted in an initial amount of \$705 thousand being allocated to the liability portion and \$64 thousand being allocated to the equity portion and \$31 thousand to the warrant.

	<b>Warrants</b>
Grant date share price	\$ 0.10
Exercise price	0.105
Risk-free interest rate	4.72%
Expected life (years)	2
Expected annualized volatility	93.12%
Expected dividend yield	-
Fair value	\$ 0.05

Total transaction costs of \$42 thousand that relate to the issuance of the convertible debt were allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the convertible debentures using the effective interest method.

The following table summarizes the continuity of the Company’s convertible debenture:

	<b>Number of convertible debentures</b>	<b>Liability Component</b>	<b>Equity Component</b>
Balance at December 31, 2022	-	-	-
Issuance of convertible debenture	\$ 800	\$ 705	\$ 64
Transaction costs	-	(37)	(5)
Accretion interest	-	8	-
Deferred tax	-	-	(15)
Balance at December 31, 2023	\$ 800	\$ 676	\$ 44
Accretion interest	-	38	-
Balance at December 31, 2024	\$ 800	\$714	\$ 44

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During the year ended December 31, 2024, the Company paid \$96 thousand in interest expense. This amount was settled with the issuance of 1,087,223 common shares.

## 12. Statement of Comprehensive Loss Supplementary Information

### General and Administrative Expenses

	Year Ended December 31	
	2024	2023
Consulting and technical services	\$ 133	\$ 387
Salaries, wages and benefits	1,580	2,368
Legal, audit and accounting	448	850
Investor relations	399	477
Corporate and office	943	1,516
<b>Total</b>	<b>\$ 3,503</b>	<b>\$ 5,598</b>

### Research and Development Expenses

	Year Ended December 31	
	2024	2023
Salaries, wages and benefits	\$ 3,151	\$ 4,172
Scale up, DNA sequencing and others	1,906	2,628
<b>Total</b>	<b>\$ 5,057</b>	<b>\$ 6,800</b>

## 13. Loss per Share

The following table summarizes the weighted average number of common shares used in calculating basic and diluted loss per share.

	Year Ended December 31	
	2024	2023
Net loss	(6,189)	\$ (13,029)
Weighted average common shares outstanding, basic and diluted	134,539,462	124,243,492
<b>Loss per share, basic and diluted</b>	<b>\$ (0.05)</b>	<b>\$ (0.10)</b>

As the Company incurred a loss in both periods presented, outstanding compensation warrants, performance warrants, options, restricted share awards, performance share awards, and deferred share awards were excluded from diluted loss per share as they are anti-dilutive.

## 14. Segment disclosures

The Company's operations have one reportable segment engaged in the research, development, and commercialization of high purity, plant derived ingredients for consumer care, food and beverage and pharmaceutical products, which is consistent with the way the Company reports information to its chief decision makers and Board of Directors.

The following geographic information reflects revenue and non-current assets by location.

Revenue	Year Ended December 31	
	2024	2023
Canada	\$ -	\$ -
United states	4,662	1,172
<b>Total</b>	<b>\$ 4,662</b>	<b>\$ 1,172</b>

Year Ended December 31

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<b>Non-current assets</b>	<b>2024</b>	<b>2023</b>
Canada	\$ 31	\$ 36
United states	1,801	2,466
<b>Total</b>	<b>\$ 1,832</b>	<b>\$ 2,502</b>

<b>Total assets</b>	<b>Year Ended December 31</b>	
	<b>2024</b>	<b>2023</b>
Canada	\$ 175	\$ 2,920
United states	2,314	3,753
<b>Total</b>	<b>\$ 2,489</b>	<b>\$ 6,673</b>

**15. Net Finance Income**

	<b>Year Ended December 31</b>	
	<b>2024</b>	<b>2023</b>
Interest on savings accounts	\$ (68)	\$ (267)
Interest on lease liabilities	121	113
Interest on convertible debenture	96	21
Interest on payment arrangements	8	-
Accretion interest on convertible debenture	38	8
	<b>\$ 195</b>	<b>\$ (125)</b>

**16. Statements of Cash Flows Supplementary Information**

**(a) Net change in non-cash working capital**

	<b>Year Ended December 31</b>	
	<b>2024</b>	<b>2023</b>
Accounts receivable	\$ 127	\$ 116
Deposits and prepaid expenses	410	24
Inventory	165	56
Accounts payable and accrued liabilities	13	(452)
Deferred revenue	41	126
	<b>\$ 756</b>	<b>\$ (130)</b>
Relating to:		
Operating activities	\$ 756	\$ (207)
Investing activities	-	77
	<b>\$ 756</b>	<b>\$ (130)</b>

**(b) Supplementary cash flow information**

As at December 31, 2024, the Company received interest income of \$68 thousand (December 31, 2023 – \$267 thousand). During the year ended December 31, 2024, the Company paid \$3 thousand in taxes (December 31, 2023 - \$10 thousand).

**17. Financial Instruments and Risk Management**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments at December 31, 2024 include cash and cash equivalents, accounts receivable, short – term investments, accounts payable, accrued liabilities, convertible debentures and warrant liability.

**Notes to Consolidated Financial Statements**  
For the years ended December 31, 2024 and 2023  
(amounts in thousands of Canadian dollars, except for share amounts)

**a) Fair Values of Financial Instruments**

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company maximizes the use of observable inputs when preparing calculations of fair value, where possible. The fair value hierarchy has the following levels:

- Level 1 – Values are based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 – Values are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 – Values are based on prices or valuation techniques that are not based on observable market data. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

The fair value of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of those instruments.

The fair value of the convertible debentures approximates its carrying value given the recency of the issuance of the instruments, and no material change in the Company's credit risk since issuance.

	<b>As at December 31, 2024 &amp; 2023</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Short-term investments	\$ 20	\$ -	\$ -	\$ 20

**b) Risks Associated with Financial Assets and Liabilities**

The Company has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

This note presents information about the Company's exposure to each of the above risks.

**Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market. Market risk is comprised of two types of risk: foreign currency risk and interest rate risk. The Company does not currently have significant market risk exposure other than foreign currency risk, as described below.

**a) Foreign Currency Risk**

Foreign currency risk is the risk that the future cash flows or fair value of the Company's financial instruments that are denominated in a currency that is not the Company's functional currency will fluctuate due to changes in foreign exchange rates.

As at December 31, 2024, the Company had a net excess of US dollar denominated cash and cash equivalents of US \$2 thousand which is equivalent to \$3 thousand CAD at the December 31, 2024 exchange rate.

Each change of 5% in the US dollar in relation to the Canadian dollar will result in a gain or loss, with corresponding effect on cash flow, of \$66 thousand, based on the December 31, 2024 net US dollar asset position.

**Notes to Consolidated Financial Statements**  
For the years ended December 31, 2024 and 2023  
(amounts in thousands of Canadian dollars, except for share amounts)

**b) Interest Rate Risk**

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at December 31, 2024, the Company has no exposure to risk with respect to interest rate fluctuations, as its interest-bearing debt is at a fixed rate of interest.

The Company's current policy is to invest excess cash in guaranteed investment certificates or interest-bearing accounts of major Canadian chartered banks or credit unions with comparable credit ratings.

The Company regularly monitors compliance to its cash management policy.

The Company, as at December 31, 2024, does not have any borrowings with financial institutions. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

**Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or a counter party to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents and short-term investments.

Cash and cash equivalents and short-term investments are maintained with financial institutions of reputable credit and may be redeemed upon demand. Accounts receivable consists of trade receivable and GST receivable.

The carrying amount of financial assets represents the maximum credit exposure. Credit risk exposure is limited through maintaining cash and cash equivalents and short-term investments with high-credit quality financial institutions and management considers this risk to be minimal for all cash and cash equivalents and short-term investments assets based on changes that are reasonably possible at each reporting date.

During the year ended December 31, 2024, two customers accounted for 90% of revenue. During the year ended December 31, 2023, three clients accounted for 95% of revenue. The Company had a receivable balance of \$39 thousand (2023 - \$166 thousand). As at December 31, 2024 one client accounted for all of the trade accounts receivable. All amounts were current and considered collectible at year end.

**Liquidity Risk**

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company's objective in managing liquidity risk is to maintain sufficient available resources to meet its liquidity requirements at any point. The Company achieves this by managing its capital spending and maintaining sufficient funds for anticipated short-term spending in the cash and cash equivalents account. Refer to Note 1 for the Company's going concern summary.

The expected timing of cash outflows relating to financial liabilities on the consolidated statement of financial position as at December 31, 2024 are:

	2025	2026	Total
Lease obligations	\$ 970	\$ 287	\$ 1,257
Trade and other payables	648	-	648
Convertible debenture loan	-	714	714
Deferred share awards liability	208	-	208
<b>Total liabilities at December 31, 2024</b>	<b>\$ 1,826</b>	<b>\$ 1,001</b>	<b>\$ 2,827</b>

**Notes to Consolidated Financial Statements**  
For the years ended December 31, 2024 and 2023  
(amounts in thousands of Canadian dollars, except for share amounts)

## 18. Foreign Withholding Tax

In 2024, the Company recognized withholding taxes paid on revenue contracts in India of \$538 thousand within foreign withholding tax expense. The interim financial statements for the three-month periods ended June 30 and September 30, 2024, have also been adjusted to reclassify withholding taxes to foreign withholding tax expense from current income tax expense by \$189 thousand and \$165 thousand, respectively.

## 19. Capital Management

The Company considers all components of shareholders' equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to complete research, obtain patents, commercialize products and generate positive operational cash flow and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company is not exposed to any externally imposed capital requirements.

## 20. Income Taxes

### (a) Deferred Income Tax Expense (Recovery)

The income taxes shown on the statements of comprehensive loss differ from amounts obtained by applying statutory rates due to the following:

	<b>Year Ended December 31</b>	
	<b>2024</b>	<b>2023</b>
Loss before income taxes	\$ (6,186)	\$ (13,034)
Capitalized research costs	5,882	-
Loss before income taxes	(304)	(13,034)
Statutory income tax rate	27.00%	27.00%
Expected income tax recovery	\$ (82)	\$ (3,519)
Non-deductible items and other	68	97
Change in tax rates	133	256
Change in unrecognized tax benefits	(116)	3,161
Income tax (recovery) expense	\$ 3	\$ (5)

Capitalized research costs include depreciation and amortization expense related to the research and development facility. These costs are included in depreciation and amortization on the Consolidated Statement of Comprehensive Loss.

### (b) Deferred Income Tax Asset

The components of the Company's unrecognized deductible temporary difference are as follows:

	<b>2024</b>	<b>2023</b>
Share issuance costs	\$ 820	\$ 1,453
Plant, property and equipment	1,728	2,507
Capital losses and other	130	312
Non-capital losses	83,533	86,079
Unrecognized deductible temporary differences	\$ 86,211	\$ 90,351

As at December 31, 2024, the Company had approximately \$86.2 million (December 31, 2023 - \$90.4 million) in tax pools available for deduction against future taxable income. Included in this tax basis are estimated non-capital loss carry forwards of approximately \$83.5 million (December 31, 2023- \$86.1 million) that expire between 2034 and 2042. The tax pools have not been recorded in the Company's records as it is not probable that they will be realized.

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## 21. Related Party Transactions

### (a) Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the Company's activities as a whole. Key management personnel consist of the members of the Board of Directors along with senior officers of the Company, a total of 7 individuals (2023 - 7 individuals).

Key management personnel compensation is comprised of:

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	<b>Year Ended December 31</b>	
	<b>2024</b>	<b>2023</b>
Salaries and short-term employee benefits	\$ 1,487	\$ 2,029
Share-based compensation	143	733
	<b>\$ 1,630</b>	<b>\$ 2,762</b>

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### (b) Amounts payable to related parties

As at December 31, 2024, the Company had \$25 thousand (December 31, 2023- \$5 thousand) outstanding to related parties which included directors, for salaries (December 31, 2023 - expense reimbursements).

Additionally, the company paid \$62 thousand in interest on the convertible debenture to related parties which includes key management personnel and members of the board of directors. See Note 11 for other disclosure relating to the convertible debenture.

As part of the private placement in Note 10(b), certain insiders of the Company participated in the Offering on the same terms and conditions as non-arm's length subscribers, subscribing for a total of 1,500,000 Units for aggregate proceeds of \$150,000.

## 22. Subsequent Event

On March 14, 2025, the Company announced that it has entered into a definitive agreement dated March 14, 2025 with a privately-held, arms-length entity based in the United Kingdom (the "Purchaser"), pursuant to which the Purchaser will acquire the Company's wholly-owned operating subsidiary, Epimeron USA, Inc., including the Company's biotechnology business, intellectual property and R&D team, for US\$3.38 million in cash, subject to working capital and net debt closing adjustments (collectively, the "Transaction").

Closing of the Transaction is expected to occur on or about April 30, 2025, subject to customary closing conditions. The Transaction must be approved by shareholders holding at least 66.67% of shares voted in person or by proxy at an annual general and special meeting of shareholders, which is expected to be held April 25, 2025.