FRX INNOVATIONS INC.

(FORMERLY GOOD2GO RTO CORP.)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(EXPRESSED IN UNITED STATES DOLLARS)
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2023 AND 2022

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim condensed consolidated financial statements, the statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by management and are the responsibility of the Company's management. The Company's independent auditor has not performed a review or an audit of these interim condensed consolidated financial statements

FRX INNOVATIONS INC.
(formerly Good2GoRTO Crop.)

Consolidated Statements of Financial Position (Unaudited)
(Expressed in United States Dollars)
As of June 30, 2023 and December 31, 2022

Assets	**Note**	**June 30, 2023**	**December 31, 2022**
Current Assets:			
Cash		$ 1,007,568	$ 559,466
Trade receivables, net	5	617,290	462,419
Inventories, net	6	2,737,629	3,329,469
Other current assets	7	292,378	198,236
Total current assets		4,654,865	4,549,590
Non-current Assets:			
Prepaids		20,165	45,697
Plant and equipment, net	8	17,132,009	17,234,277
Right-of-use assets	9	801,042	843,500
Patents, net	10	315,123	330,555
Intangible assets, net	11	380,208	382,416
Deferred offering costs	4	-	-
Total non-current assets		18,648,547	18,836,445
Total assets		$ 23,303,412	$ 23,386,035
Liabilities, Stockholders' Deficit and Non-Controlling Interest			
Current Liabilities:			
Accounts payable		$ 2,949,024	$ 3,345,833
Accrued expenses and other current liabilities	12	542,179	545,975
Current portion of lease liability	9	354,189	120,870
Current portion of notes payable	13	10,056,166	9,761,674
Total current liabilities		13,901,558	13,774,352
Long-Term Liabilities:			
Notes payable, net of current portion	13	2,837,165	2,832,202
Common stock warrant liability - FRX Polymer Canada, Inc.	15	-	-
Lease liability, net of current portion	9	470,499	767,278
2020 and 2019 Convertible notes payable and accrued interest	14	-	-
Common stock warrant liability - FRX Polymers, Inc.	14	-	-
2021 Convertible debentures	15	-	-
2021 Convertible debentures - derivative liability	15	-	-
Finco New Convertible Debentures		-	-
Total long-term liabilities		3,307,664	3,599,480
Total liabilities		17,209,222	17,373,832
Stockholders' Equity (Deficit):			
Share capital	17	29,093,819	27,157,210
Common Stock, $0.001 par value:			
Bridge	17	-	-
Mezzanine	17	-	-
Basic	17	-	-
Contributed surplus	17	25,302,974	25,302,974
Warrants reserve	17	2,005,707	1,074,929
Deferred compensation - restricted stock	17	-	-
Accumulated deficit		(48,815,504)	(46,023,727)
Accumulated other comprehensive loss	22	(953,517)	(959,893)
Total stockholders' equity (deficit)		6,633,479	6,551,492
Non-Controlling Interest		(539,289)	(539,289)
Total liabilities, stockholders' equity (deficit) and non-controlling interest		$ 23,303,412	$ 23,386,035

Background and operations (Note 1)
Going conern (Note 1)
Contingencies (Note 26)
Subsequent events (Note 28)

Approved on Behalf of the Board of Directors:

"Bernhard Mohr"
Bernhard Mohr, Director

"Ross Haghighat"
Ross Haghighat, Director

FRX INNOVATIONS, INC.
(formerly Good2GoRTO Crop.)

Consolidated Statements of Loss and Comprehensive Loss (Unaudited)
(Expressed in United States Dollars)
For the 6 months Ended June 30, 2023 and 2022

		Three Months Ended June 30		Six Months Ended June 30	
	Note	**2023**	**2022**	**2023**	**2022**
Revenue		$ 1,480,388	$ 1,305,790	$ 2,109,163	$ 2,405,922
Cost of Goods Sold		1,010,450	1,799,344	1,471,039	3,396,271
Gross margin		469,938	(493,554)	638,124	(990,349)
Operating Expenses:					
Administrative	25	1,312,476	1,055,333	2,568,650	2,176,678
Research		108,861	132,914	296,733	289,409
Sales and marketing		120,810	161,274	292,870	305,019
Total operating expenses		1,542,147	1,349,521	3,158,254	2,771,106
Operating loss		(1,072,209)	(1,843,075)	(2,520,130)	(3,761,455)
Other Income (Expense):					
Fair value adjustment		-	96,979	-	(1,743,052)
Interest income		3	2,789	784	2,789
Foreign currency gain (loss)		11,210	(495,291)	21,928	(722,045)
Interest expense	13, 14, 15	(114,633)	(304,731)	(288,402)	(963,702)
Listing expense	4	(70)	(154,856)	(5,956)	(1,995,889)
Total other expense		(103,490)	(855,110)	(271,646)	(5,421,899)
Net loss		(1,175,698)	(2,698,185)	(2,791,776)	(9,183,354)
Other Comprehensive Loss:					
Foreign currency translation adjustment		(501,400)	510,229	90,668	509,850
Net comprehensive loss		$ (1,677,098)	$ (2,187,956)	$ (2,701,108)	$ (8,673,504)
Net Comprehensive Loss attributable to:					
Non-Controlling Interest		-	-	-	-
Net Comprehensive Loss attributable to: Controlling Interest		$ (1,677,098)	$ (2,187,956)	$ (2,701,108)	$ (8,673,504)
Loss per Share:					
Basic and diluted	19	$ (0.02)	$ (0.05)	$ (0.03)	$ (0.21)
Weighted average number of shares outstanding		99,457,659	53,654,032	93,857,480	41,835,171

FRX INNOVATIONS INC.
(formerly Good2GoRTO Crop.)

Consolidated Statements of Stockholders' Equity (Deficit)
(Expressed in United States Dollars)
For the 6 Months Ended June 30, 2023 and 2022

	Note	Share Capital		Common Stock: Bridge Common Stock		Common Stock: Mezzanine Common Stock		Common Stock: Basic Common Stock		Contributed surplus	Warrants reserve	Deferred Compensation - Restricted Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total
		Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount							
Balance, December 31, 2021		-	$ -	17,830,152	$ 16,560	6,201,792	$ 5,760	5,984,366	$ 5,558	$ 25,049,194	$ -	$ (533,666)	$ (31,850,560)	$ (337,225)	$ (539,289)	$ (7,644,379)
Shares issued on conversion of prior classes of shares	17	30,016,310	27,878	(17,830,152)	(16,560)	(6,201,792)	(5,760)	(5,984,366)	(5,558)	-	-	-	-	-	-	-
Shares issued pursuant to reverse takeover	17	1,657,143	925,778	-	-	-	-	-	-	-	-	-	-	-	-	925,778
Shares and warrants issued to finders	17	636,781	355,744	-	-	-	-	-	-	-	44,468	-	-	-	-	400,212
Replacement warrant issued		-	-	-	-	-	-	-	-	-	18,256	-	-	-	-	18,256
Replacement options issued		-	-	-	-	-	-	-	-	52,925	-	-	-	-	-	52,925
Conversion of common stock warrants	17	15,438,499	7,899,201	-	-	-	-	-	-	-	-	-	-	-	-	7,899,201
Conversion of 2020 and 2019 convertible notes	17	20,172,484	9,252,753	-	-	-	-	-	-	-	-	-	-	-	-	9,252,753
Conversion of 2021 convertible debentures	17	5,209,069	3,954,719	-	-	-	-	-	-	-	-	-	-	-	-	3,954,719
Issued on private placement, May 2022, net of costs	17	6,873,029	4,025,463	-	-	-	-	-	-	-	638,376	-	-	-	-	4,663,839
Issuance of restricted stock		-	-	-	-	-	-				-	-	-	-	-	-
Share based compensation expense restricted stock		-	-	-	-	-	-	-	-	-	-	400,248	-	-	-	400,248
Share based compensation expense stock options		-	-	-	-	-	-	-	-	131,108	-	-	-	-	-	131,108
Foreign currency translation adjustment		-	-	-	-	-	-	-	-	-	-	-	-	(379)	-	(379)
Net loss		-	-	-	-	-	-	-	-	-	-	-	(4,644,136)	-	-	(4,644,136)
Balance, June 30, 2022		80,003,315	$ 26,441,536	-	$ -	-	$ -	-	$ -	$ 25,233,227	$ 701,100	$ (133,418)	$ (36,494,696)	$ (337,604)	$ (539,289)	$ 15,410,145
Issued on private placement, November-December 2022, net of costs	17	5,316,011	715,674	-	-	-	-	-	-	-	373,829	-	-	-	-	1,089,503
Stock based compensation		-	-	-	-	-	-	-	-	69,747	-	133,418	-	-	-	203,165
Foreign currency translation adjustment		-	-	-	-	-	-	-	-	-	-	-	-	(622,289)	-	(622,289)
Net loss		-	-	-	-	-	-	-	-	-	-	-	(9,529,032)	-	-	(9,529,032)
Balance, December 31, 2022		**85,319,326**	**$ 27,157,210**	**-**	**$ -**	**-**	**$ -**	**-**	**$ -**	**$ 25,302,974**	**$ 1,074,929**	**$ -**	**$ (46,023,728)**	**$ (959,893)**	**$ (539,289)**	**$ 6,551,492**
Issued on private placement, January 2023, net of costs		30,000	3,824								2,298					6,122
Issued on private placement, March 2023, net of costs		13,091,000	1,707,129								928,480					2,635,609
Issued on settlement of trade payables		1,017,333	225,656													225,656
Foreign currency translation adjustment														6,376		6,376
Net loss													(2,791,776)			(2,791,776)
Balance, June 30, 2023		**99,457,659**	**$ 29,093,819**	**-**	**$ -**	**-**	**$ -**	**-**	**$ -**	**$ 25,302,974**	**$ 2,005,707**	**$ -**	**$ (48,815,504)**	**$ (953,517)**	**$ (539,289)**	**$ 6,633,479**

FRX INNOVATIONS INC.
(formerly Good2GoRTO Crop.)

Consolidated Statements of Cash Flows (Unaudited)
(Expressed in United States Dollars)
For the 6 months Ended June 30, 2023 and 2022

	2023	2022
Cash flow from operating activities:		
Net income (loss) for the period	$ (2,791,776)	$ (9,183,364)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	474,573	467,151
Amortization of patents	15,432	25,000
Amortization of intangible assets	2,208	2,208
Amortization of debt issuance costs	-	34,625
Amortization of right-of-use asset	52,404	15,040
Amortization of debt discount	-	130,773
Share-based compensation - restricted stock	972,333	533,666
Share-based compensation - stock options	-	174,810
Noncash listing expense	-	1,995,899
Noncash interest on convertible notes payable	-	161,277
Noncash interest on convertible debentures	-	94,258
Interest expense on financial liabilities	17,488	12,507
Fair value of common stock warrants	-	1,836,862
Fair value of derivative liability	-	(89,284)
Unrealized currency transaction (gain) loss	(187,520)	1,167,145
Changes in operating assets and liabilities:		
A/R	(147,848)	538,241
Inventories	671,771	(1,120,691)
Other current assets	(72,172)	(151,120)
Accounts payable	(442,069)	1,143,497
Accrued expenses and other current liabilities	(12,287)	111,666
Net cash used in operating activities	(1,447,461)	(2,099,834)
Cash flows from investing activities		
Increase in cash due to Good2GoRTO	-	16,670
Acquisition of plant and equipment	(7,411)	(5,593)
Net cash used in investing activities	(7,411)	11,077
Cash flow from financing activities:		
Proceeds from private placement, net of issuance costs	1,945,874	4,262,440
Proceeds from issuance of note payable	323,149	134,418
Proceeds from exercise of warrants	-	134,418
Proceeds from issuance of convertible debentures	-	324,260
Principal payment of lease liability	(91,790)	(39,507)
Issuance costs	-	(612,696)
Payments on notes and interest payable	(274,259)	(474,072)
Net cash provided by financing activities	1,902,974	3,729,261
Effect of Exchange Rate Changes on Cash		(163,675)
Net Change in Cash and Cash Equivalents	448,102	1,476,829
Cash and Cash Equivalents:		
Beginning of year	559,466	453,359
End of period	1,007,568	1,930,188
Supplemental Disclosure of Non-Cash Transactions:		
Issuance of restricted stock	$ -	$ -
Subscriptions receipt held in escrow for subscriptions issued	$ -	$ 4,360,985
Reallocation of fair value of warrants upon exercise	$ -	$ -
Shares issued for conversion of convertible notes	$ -	$ -
Shares issued for conversion of convertible debentures	$ -	$ -
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ -	$ 485,417

1. BACKGROUND AND OPERATIONS

FRX Innovations Inc., (formerly Good2GoRTO Corp.) (the "Company" or "FRX") is a Canadian federally incorporated company. The Company's Canadian office is located at 1120 – 1040 West Georgia St., Vancouver.

The Company manufactures polyphosphate polymers that are inherently flame retardant and sold under its Nofia® product line. These polymers are intended to be used as additives by manufacturers that make products that have desirability or requirement for flame retardancy.

On May 16, 2022, Good2GoRTO Corp. ("G2G") and FRX Polymers, Inc., a private company incorporated in Delaware, United States, completed an amalgamation structured as a three-corned amalgamation whereby a subsidiary of FRX Polymers, Inc. (FRX Polymer (Canada) Inc., "FRX Canada") was amalgamated with a newly incorporated subsidiary of G2G and the amalgamated entity merged with G2G, forming the Company.

Prior to the amalgamation, G2G completed a consolidation of the G2G common shares on the basis of one post-consolidated G2G share for every 3.5 pre-consolidation G2G common shares and changed its name from "Good2GoRTO Corp." to "FRX Innovations Inc.". Each FRX Polymers, Inc.'s share was exchanged to 1.0767 common share of the Company. All prior share capital information has been presented based on this ratio.

As a result of the completion of this transaction, the former holders of FRX Polymers, Inc.'s common shares and convertible notes held approximately 97% of the issued and outstanding common shares of the Company and former holders of G2G shares held approximately 2% of the common shares of the Company and approximately 1% of common shares of the Company are held by finders. Refer to Note 4 for further details on the amalgamation.

On May 24, 2022 the common shares of the Company commenced trading on the TSX Venture Exchange under the new name "FRX Innovations Inc.", under the trading symbol "FRXI.V".

The interim condensed consolidated financial statements were approved by the Company's Board of Directors (the "Board") on August 29, 2023.

Going Concern Assessment

These interim condensed consolidated financial statements have been prepared under the assumption of a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Since its first year of commercial operations and continuing through June 30, 2023, the Company has incurred losses and presently has an accumulated deficit of approximately $48,815,504 and for the period ended June 30, 2023, the Company incurred a net loss of $2,791,776 and net cash used in operations was $1,447,461. The Company has historically been successful in raising debt and equity capital to offset the impact of these losses. There can be no assurances that funding will be obtained in sufficient amounts to satisfy working capital deficits. In addition to maintaining sufficient capital to support the future sales growth projected in its business plan over the next several years, the Company will also depend on its success in registering patented technology, maintaining trade secrets, protecting patents previously filed, and expanding the market acceptance of its flame retardant polymer products within the existing worldwide polymer supply chains. Also, there can be no assurances that the patents issued to the Company will not be invalidated, circumvented, or that the rights granted thereunder will provide proprietary protections or competitive advantages to the Company. Since the Company does not have net earnings from its operations currently, the Company's long-term liquidity depends on its ability to access capital markets, as well as capital market conditions and availability. The Company is subject to debt covenants imposed by its Belgian bank.

The ongoing challenges of expanding revenue growth to sufficient levels that will generate positive working capital from operations, coupled with financing and operating uncertainties, raise significant doubt about the Company's ability to continue as a going concern. The accompanying interim condensed consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

These unaudited interim condensed consolidated financial statements of the Company have been prepared for the six months ended June 30, 2023, in accordance with International Accounting Standard 34, Interim Financial Reporting (IAS 34). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, have been omitted or condensed. These unaudited interim condensed consolidated financial statements do not include all the information required for full disclosure in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2022, as they follow the same accounting policies and methods of application.

b) Basis of Presentation

The interim condensed consolidated financial statements of the Company have been prepared in accordance with IFRS, as issued by the IASB.

The Company has applied the same accounting policies and methods of computation in its interim condensed consolidated financial statements as in its 2022 annual consolidated financial statements.

The interim condensed consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value at the end of each reporting period as explained in the accounting policies below. The interim condensed consolidated financial statements have been expressed in United States dollars (“USD”) unless otherwise noted.

c) Basis of Consolidation

The interim condensed consolidated financial statements for the six-month period ended June 30, 2023 and the year ended December 31, 2022 are comprised of the financial results of the Company and its subsidiaries, which are the entities over which the Company has control. Control exists when the Company has power over an investee, when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are fully consolidated from the date that control commences and de-consolidated from the date control ceases. The consolidated financial statements of the Company include wholly owned subsidiaries: FRX Polymers, Inc., FRX Polymers (Europe), NV, FRX (Shanghai) Consulting Co., Ltd., and partially owned subsidiary FRX International Pty Ltd., which is a dormant entity.

The Company's presentation currency is the United States dollar, which is also FRX Polymers, Inc's functional currency. The functional currencies of the Company, FRX Polymers (Europe), NV, FRX (Shanghai) Consulting Co., Ltd., and FRX Pty are Canadian dollar, Euros, Chinese yuan, and Australian dollar, respectively.

Non-controlling Interest

For the six months ended June 30, 2023, the non-controlling interest in the interim condensed consolidated statements of profit or loss and comprehensive loss represents the non-controlling ownership’s share of the net loss in FRX Pty and the non-controlling interest referred to in the interim condensed consolidated statements of financial position reflect the non-controlling ownership’s equity interest in the entity.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTIES

The preparation of the unaudited interim condensed consolidated financial statements requires management to undertake several judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from these judgements and estimates. These estimates and judgements are based on management's best knowledge of the events or circumstances and actions the Company may take in the future. The estimates are reviewed on an ongoing basis. Information about the significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed in Note 3 of the Company's 2022 audited annual consolidated financial statements and are still applicable for the period ended June 30, 2023.

4. REVERSE ACQUISITION

On May 16, 2022, G2G, FRX Polymers, Inc. and newly incorporated subsidiaries of G2G and FRX Polymers, Inc. completed an amalgamation whereby G2G indirectly acquired all of the issued and outstanding FRX Polymers, Inc.'s common shares through a reverse take-over transaction.

The transaction was considered a reverse takeover ("RTO") as the legal acquiree's (FRX Polymers, Inc.) former shareholders control the consolidated entity after completion of the RTO. Consequently, the legal acquiree is the accounting acquirer and the historical financial results presented in these interim condensed consolidated financial statements are those of FRX Polymers, Inc.

At the time of the RTO, G2G's assets consisted primarily of cash, and it did not have any processes capable of generating outputs; therefore, G2G did not meet the definition of a business. Accordingly, as G2G did not qualify as a business in accordance with IFRS 3 Business Combinations, the transaction did not constitute a business combination; however, by analogy it has been accounted for as a reverse takeover. Therefore, FRX Polymers, Inc., the legal subsidiary, has been treated as the accounting parent company, and G2G, the legal parent, has been treated as the accounting subsidiary.

Upon completion of the RTO, 5,800,000 G2G's common shares were consolidated into 1,657,143 common shares of the Company on the basis of one post-consolidated share for every 3.5 pre-consolidation shares. The fair value of these shares of $925,778, was based on an estimated fair value of $0.56 (CA $0.72) per share as at the RTO date which was back-solved based on the issue price of $0.78 (CA $1) per Subscription Receipt (with each Subscription Receipt embedding one Company's common share and one half Company's common share purchase warrant, refer to Note 17) using the following assumptions: risk free rate- 1.31%, volatility- 80%.

In addition, 57,143 G2G's common share purchase warrants and 165,714 G2G's stock options were exchanged on RTO transaction to the Company's common share purchase warrants and stock options and were valued at $18,256 and $52,924 and included in the consideration paid by the Company. The Company used Black-Scholes option pricing model to determine the fair value of the common share purchase warrants and stock options with the following assumptions: expected life in years- 1, volatility- 78%, risk free rate- 2.52%, share price- $0.56, dividend yield- 0%.

In connection with the RTO transaction, the Company issued 636,781 common shares and 318,391 common share purchase warrants to finders. The fair value of these common shares amounting to $355,744 was determined based on an estimated fair value of $0.56 (CA $0.72) per share as at the RTO date which was back-solved based on the issue price of $0.78 (CA $1) per Subscription Receipt (with each Subscription Receipt embedding one Company's common share and one half Company's common share purchase warrant, refer to Note 17) using the following assumptions: risk free rate- 1.31%, volatility- 80%; and the fair value of warrants accounting to $44,468 was determined using Black-Scholes option pricing model with the following assumptions: expected life in years- 2, volatility- 75%, risk free rate- 2.59%, share price- $0.56, dividend yield- 0%. In addition, in connection with the RTO transaction, the Company incurred legal fees of $536,176 which were included in the consideration paid.

(Expressed in United States Dollars)

4. REVERSE ACQUISITION (Continued)

As the acquisition was not considered a business combination, the excess of consideration paid over the net assets acquired together with any transaction costs incurred for the amalgamation is expensed as a listing expense in accordance with IFRS 2 Share-Based Payments.

Consideration paid:	
Common shares deemed issued	$ 925,778
Fair value of warrants	18,256
Fair value of stock options	52,924
Finder's fee- common shares	355,744
Finder's fee- common share purchase warrants	44,468
Legal fees	536,176
Total consideration paid	**$1,933,346**
Net Identifiable assets acquired:	
Cash	$ 21,308
Accounts payable	(718)
Total net identifiable assets acquired	**$ 20,590**
Listing expense	$1,912,756

5. TRADE RECEIVABLES

		June 30, 2023		December 31, 2022
Trade receivables	$	995,289	$	832,733
Allowance for doubtful accounts		(377,999)		(370,314)
	$	617,290	$	462,419

6. INVENTORIES, NET

Inventories consist of the following at:

		June 30, 2023		December 31, 2022
Finished goods	$	2,018,919	$	2,700,210
Raw materials		718,710		629,259
	$	2,737,629	$	3,329,469

The Company periodically reviews the value of its inventory and provides write-downs or write-offs of inventory based on its assessment of market conditions. The Company has recorded a reserve for obsolescence of approximately $489,070 and $479,000 related to finished goods and raw materials at June 30, 2023 and December 31, 2022, respectively.

During the six-month period ended June 30, 2023, the total inventory expensed through cost of goods sold was $1,570,301.

(Expressed in United States Dollars)

7. OTHER CURRENT ASSETS

Other current assets consist of the following at:

	June 30, 2023	December 31, 2022
Prepaid expenses	$ 249,306	$ 153,267
Taxes recoverable and dues from government	43,072	44,969
	$ 292,378	$ 198,236

8. PLANT AND EQUIPMENT, NET

Plant and equipment consist of the following at June 30:

	Building	Equipment	Leasehold Improvements	Total
Cost, January 1, 2023	$ 14,711,547	$ 12,205,775	$ 17,000	$ 26,934,322
Additions	-	7,262	-	7,262
Currency translation	305,288	222,204	-	527,492
Cost, June 30, 2023	$ 15,016,865	$ 12,435,241	$ 17,000	$ 27,469,076
Accumulated Depreciation, January 1, 2023	$ 3,338,800	$ 6,344,245	$ 17,000	$ 9,700,045
Depreciation	252,674	209,522	-	462,196
Currency translation	96,154	78,672	-	174,826
Accumulated Depreciation, June 30, 2023	$ 3,687,628	$ 6,632,439	$ 17,000	$ 10,337,067
Net Book Value, June 30, 2023	$ 11,329,206	$ 5,802,803	$ -	$ 17,132,009

(Expressed in United States Dollars)

8. PLANT AND EQUIPMENT, NET (Continued)

	Building	Equipment	Leasehold Improvements	Total
Cost, January 1, 2022	$ 15,544,899	$ 12,778,201	$ 17,000	$ 28,340,100
Additions	-	32,260	-	32,260
Currency translation	(833,352)	(604,686)	-	(1,438,038)
Cost, December 31, 2022	$ 14,711,547	$ 12,205,775	$ 17,000	$ 26,934,322
Accumulated Depreciation, January 1, 2022	$ 3,127,565	$ 6,052,854	$ 17,000	$ 9,197,419
Depreciation	384,545	516,825	-	901,370
Currency translation	(173,310)	(225,434)	-	(398,744)
Accumulated Depreciation, December 31, 2022	$ 3,338,800	$ 6,344,245	$ 17,000	$ 9,700,045
Net Book Value, December 31, 2022	$ 11,372,747	$ 5,861,530	$ -	$ 17,234,277

9. LEASES

Right-of-Use Assets

The Company, through its wholly-owned subsidiary, FRX Polymers (Europe) NV, entered into a land lease and a right to build contract with the owner of a large chemical land site in the port of Antwerp, Belgium. This contract allowed the Company to build its specialty polymer plant. This right to build is granted for a period of thirty years beginning from the commencement date of June 27, 2012. During the year, the Company determined that the land lease entered into in 2012 would be extended for an additional 10 years using one of the two optional extension clauses available to the Company. The lease term was revised to end March 20, 2052. As the modification did not add the right to use one or more underlying assets, it was not accounted for as a separate lease but rather a modification to the previous lease account for under IFRS 16 Leases.

On March 4, 2022, the Company entered into a lease agreement for a vehicle at its Antwerp facility in Belgium. The lease has a term of 5 years, expiring March 3, 2027. Upon commencement of the lease, the Company recognized a right-of-use assets and lease liability of $21,896.

On April 28, 2022, the Company entered into an equipment lease agreement at its Antwerp facility in Belgium. The lease has a term of 5 years, expiring April 28, 2027. Upon commencement of the lease, the Company recognized a right-of-use assets and lease liability of $30,958.

(Expressed in United States Dollars)

9. LEASES (Continued**)**

During the year, the Company extended the term of its office lease at its US location, in which the lease term was set to now end January 25, 2024 and as a result was no longer a short-term lease. The lease agreement also carries an extension option, which affords the Company the right to extend the term for two additional 12-month terms. There is a high probability that the extension clauses will be exercised and thus were considered in calculating the right-of-use asset and lease liability. The Company recognized a right-of-use assets and lease liability of $461,366.

The lease liabilities were measured by discounting the lease payments using an incremental borrowing rate of between 9.25% to 12%.

The following amounts are included as right-of-use assets in the accompanying interim condensed consolidated statements of financial position at:

	Right of use asset – Vehicles	Right of use asset – Office	Right of use asset – Equipment	Right of use asset – Land	Total Right of use assets
Cost					
Balance, December 31, 2022	$ 21,896	$ 461,366	$ 30,958	$ 443,866	$ 958,086
Currency translation	497	-	703	10,079	11,279
Balance, June 30, 2023	$ 22,393	$ 461,366	$ 31,661	$ 453,945	$ 969,365
Accumulated amortization					
Balance, December 31, 2022	$ 3,284	$ 92,274	$ 4,128	$ 14,900	$ 114,586
Additions	1,895	46,137	2,679	6,787	57,498
Currency translation	(489)	-	(619)	(2,653)	(3,761)
Balance, June 30, 2023	$ 4,690	$ 138,411	$ 6,188	$ 19,034	$ 112,041
Carrying amount					
December 31, 2022	$ 18,612	$ 369,092	$ 26,830	$ 428,966	$ 843,500
June 30, 2023	**$ 17,703**	**$ 322,955**	**$ 25,473**	**$ 434,911**	**$ 801,042**

(Expressed in United States Dollars)

9. LEASES (Continued)

Lease Liabilities

		June 30, 2023		December 31, 2022
Balance, beginning of the period	$	888,149	$	540,131
Additions		-		517,192
Modification		-		(10,319)
Lease payments		(91,790)		(154,272)
Interest expense		17,488		84,411
Effect of movement in exchange rates		10,841		(88,994)
Balance, end of the period	$	824,688	$	888,149
Current portion of lease liability	$	354,189	$	120,870
Long-term portion of lease liability	$	470,499	$	767,278

Right to Build Fee

The annual "right to build" fee of approximately $39,800 (€32,300) increases each year based on a formula tied to the increase in consumption prices as published by the Belgium government.

Approximate future undiscounted cash flows assuming the current applicable index and exchange rates are as follows:

Years Ending		
Due within one year	$	46,791
2024		164,240
2025		175,695
2026		147,155
2027		40,406
2028 – 2033		1,141,148
	$	1,715,435

(Expressed in United States Dollars)

10. PATENTS, NET

Patents consist of the following at:

		June 30, 2023		December 31, 2022
Beginning cost	$	740,741	$	814,815
Write down		-		(74,074)
Ending cost		740,741		740,741
Beginning accumulated amortization		410,186		398,439
Amortization for the year to date		15,432		50,000
Write down		-		(38,253)
Ending accumulated amortization		425,618		410,186
Net carrying amount	$	315,123	$	330,555

During the six-month period ended June 30, 2023 and for the year ended December 31, 2022, the Company abandoned zero and two patents, respectively, and recorded a patent impairment charge of $nil and $35,821, respectively.

11. INTANGIBLE ASSETS, NET

Capitalized development costs consist of the following at:

		June 30, 2023		December 31, 2022
Beginning cost	$	397,255	$	397,255
Additions		-		-
Ending cost		397,255		397,255
Beginning accumulated amortization		14,839		10,423
Amortization for the year to date		2,208		4,416
Ending accumulated amortization		17,047		14,839
Net carrying amount	$	380,208	$	382,416

(Expressed in United States Dollars)

12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following at:

		June 30, 2023		December 31, 2022
Accrued vacation	$	121,690	$	96,862
Other		420,489		449,113
	$	542,179	$	545,975

13. NOTES PAYABLE

Notes payable consists of:

		June 30, 2023		December 31, 2022
Credit line in the amount of €1,500,000 (a)(i)	$	1,490,084	$	1,604,700
Credit line in the amount of €7,505,003 (a)(ii)		8,083,172		7,956,176
Subordinated Loan Agreement (b), net of unamortized debt discout		2,702,625		2,059,880
Borrowing Agreement (c)		888,272		964,120
Working capital line of credit		329,177		
		12,893,330		12,593,876
Less - current portion		(10,056,166)		(9,761,674)
Notes payable, net of current portion	$	2,837,165	$	2,832,202

a) During December 2011, the Company, through its subsidiary, FRX Polymers (Europe), NV ("FRX NV"), entered into a credit facility agreement with a bank in Belgium which allowed for the ability to borrow up to $15,260,400 (€13,500,000) under certain terms and conditions, for the specific purpose of constructing a specialty polymers plant and the acquisition of related equipment. The credit facility is secured by substantially all assets of the Company.

In April 2021, the terms of the credit facility agreement were amended with total available credit amount fixed at €9,546,140 (including a commitment credit line of €200,000) and terms as detailed in (i) and (ii) below. In August 2022, the total available credit amount was updated to €9,205,003 (including a commitment credit line of €200,000).

The credit facility agreement contains certain financial and non-financial covenants, which the Company was not in compliance with on June 30, 2023 and as of the date these interim condensed consolidated financial statements have been approved by the Board of Directors

i. $1,638,000 (€1,500,000) credit line carried interest, due quarterly, of EURIBOR three months plus a margin of 2.05% per annum, plus payment in-kind (PIK)-interest of 0.40% per annum until June 30, 2022, and then converting to EURIBOR three months plus a margin of 2.8% per annum until March 31, 2028. Accrued PIK-interest is to be paid in full on the quarterly basis in accordance with the terms of the credit facility agreement. The outstanding principal amount is due in a single payment no later than March 31, 2028. The amount outstanding as at June 30, 2023 is $1,490,084 (€1,500,000) (2022 - $1,604,700).

13. NOTES PAYABLE (Continued)

ii. $8,195,463 (€7,505,003) credit line carried interest, due quarterly, of EURIBOR three months plus a margin of 2.05% per annum, plus payment in-kind (PIK)-interest of 0.40% per annum until June 30, 2022, and then converting to EURIBOR three months plus a margin of 2.8% per annum until December 31, 2027. Accrued PIK-interest is to be paid in full on the quarterly basis in accordance with the terms of the credit facility agreement. The outstanding principal amount is due in a single payment no later than December 31, 2027. The amount outstanding as at June 30, 2023 is $8,083,172 (€7,402,172) (2022 - $7,965,176 (€7,445,481)).

During the six-month period ended June 30, 2023, the Company recorded interest expense of $138,567 related to these credit lines in its interim condensed consolidated statements of loss and comprehensive loss (2022 - $963,702).

FRX NV and FRX Polymers, Inc. are a party to the Guarantee Agreement and the Framework Agreement entered into in February 2012 among FRX NV, FRX Polymers, Inc., the bank in Belgium which provided the credit lines detailed above (the “bank”) and Gigarant NV, a financing component of Flemish Government, under which Gigarant NV guaranteed to the Bank 70% of the principal and interest amount of credit lines outstanding at the date of default. The guarantee expired in February 2022.

The Guarantee Agreement was amended in August 2022 adding the Company as a party to the Guarantee Agreement. Maximum secured amount is defined as a guarantee percentage (40%) applied on the amount of secured liabilities and this amount will not exceed approximately $3,916,095 (€3,602,001). The Company will pay to Gigarant NV a guarantee fee which shall be calculated as the guarantee fee percentage (as defined in the Guarantee Agreement) multiplied by the lowest of the following two amounts: periodic guaranteed amount and maximum secured amount (as defined in the Guarantee Agreement).

The expiry date of the Guarantee Agreement is February 28, 2025.

During the six-month period ended June 30, 2023, the Company recorded interest expense of $20,071 related to this Guarantee Agreement in its interim condensed consolidated statements of loss and comprehensive loss (2022 - $717,257).

b) $4,783,680 (€4,400,000) subordinated loan agreement with an engineering firm for the construction of the specialty polymer plant. The loan had a remaining balance as at January 1, 2021 of €2,000,000 with associated royalty payments and bore an interest rate of 5.0%. On April 8, 2021, the loan and its related royalty payments were modified into a fixed obligation of €4,400,000 which was comprised of €2,000,000 for the remaining loan balance and a €2,400,000 which replaced the royalty payments. Any accrued interest and royalty payments previously recorded were forgiven as part of the loan modification. The modification was accounted for as a significant modification and the amended loan was recorded at its fair value using an interest rate of 12%.

The €2,000,000 is repaid with fixed installments (“Fixed Payments”) commencing 2024 through 2030. The repayment of €2,400,000 commences in 2026 until repaid in full and is variable (“Variable Payment”) so the total of Fixed Payment and Variable Payment in any given year does not exceed 1.5% of the Company’s revenue in this given year.

13. NOTES PAYABLE (Continued)

The Company accretes the carrying amount of the subordinated loan using original effective interest rate of 12%. During the six-month period ended June 30, 2023, the Company recorded accretion expense of $72,510 in its interim condensed consolidated statements of loss and comprehensive loss (2022 - $62,660). The principal amount outstanding as at June 30, 2023 is $4,804,800 (€4,400,000) (2022 - $4,707,120, €4,400,000). The carrying amount of the subordinated loan as at June 30, 2023 is $2, 102,625 (2022 - $2,059,880).

c) $1,087,200 (€1,000,000) borrowing agreement with an outside party. Interest accrues at a rate of 5% annually, calculated on a 365-day basis. On May 28, 2021, the note was refinanced. Accrued but unpaid interest is payable every twelve months for the preceding twelve months with varying quarterly principal amounts due through November 15, 2025. During the six-month period ended June 30, 2023, the Company recorded interest expense of $22,890 in its interim condensed consolidated statements of loss and comprehensive loss (2022 - $49,015).

d) $330,000 12-month working capital line of credit to the Company with interest calculated at 10% per annum with repayment starting on October 31, 2023 and ending on July 31, 2024

14. CONVERTIBLE NOTES PAYABLE

2020 Convertible Notes and 2019 Convertible Notes

During December 2020, the Company entered into a convertible note and warrant purchase agreement, "the Convertible Note and Warrant Purchase Agreement", with existing investors referred to as the "2020 Noteholders." The notes are referred to as the "2020 Convertible Notes" and accrued interest at a rate of 5% with a maturity date of October 29, 2021.

During September 2019, the Company entered into convertible note agreements with investors collectively referred to as the "2019 Noteholders." The notes are referred to as the "2019 Convertible Notes" and accrued interest at a rate of 5% with a maturity date of December 31, 2022.

During the year ended December 31, 2022, the Company recorded interest expense of $231,649 related to 2019 and 2020 Convertible Notes in its consolidated statements of loss and comprehensive loss.

On the completion of the RTO transaction, the total principal amount and accrued interest of 2019 and 2020 Convertible Notes of $9,252,753 was converted to 20,172,484 common shares of the Company.

Detachable Stock Purchase Warrants

As part of the 2020 Convertible Note financing, the Company issued detachable warrants to purchase the Company's common stock at an exercise price of $0.01 per share with a maturity date of December 7, 2030. As the warrants were exercisable into a variable number of shares based upon future qualified financing, the warrants qualified for treatment as a liability and were recorded at fair value at the reporting date. The fair value of the warrants at December 31, 2021, was estimated at $3,427,236, based upon the Black-Scholes pricing model.

On the completion of the RTO transaction, the warrants were exercised to 15,438,499 common shares of the Company at the exercise price of $143,387. The fair value of the warrants on the exercise date was determined at $7,899,201 using an intrinsic value approach with the following assumptions: share price of $0.56 (CA $0.72) per share as at the RTO date which was back-solved based on the issue price of $0.78 (CA $1.00) per Subscription Receipt (with each Subscription Receipt embedding one Company's common share and one half Company's common share purchase warrant, refer to Note 17), exercise price - $0.01.

During the year ended December 31, 2022, the Company recorded fair value adjustment (loss) of $4,477,185 related to these warrants in its consolidated statements of loss and comprehensive loss.

15. CONVERTIBLE DEBENTURES

2021 Convertible Debentures

On September 14, 2021, FRX Canada closed a convertible debentures financing (the "2021 Convertible Debentures") for gross proceeds of $3,086,898 (CA $3,953,000). Cash fees of $131,683 (CA $168,630) were paid and broker warrants were issued to finders in this transaction. The 2021 Convertible Debentures were issued in denominations of CAD $1,000, bear an interest rate of 8% per annum, and have a maturity date of September 14, 2023. The 2021 Convertible Debentures were convertible to common shares of the resulting issuer on the RTO at a 20% discount to the receipt financing required under the terms of the RTO. Based on the fair value of the conversion option, the Company recorded a derivative liability of $902,210 on December 31, 2021.

On the completion of the RTO transaction, the total principal amount and accrued interest of 2021 Convertible Debentures of $3,146,354 was converted to 5,209,069 common shares of the Company.

During the year ended December 31, 2022, the Company recorded interest and accretion expense of $97,758 related to 2021 Convertible Debentures in its consolidated statements of loss and comprehensive loss.

During the year ended December 31, 2022, the Company recorded fair value adjustment (gain) of $93,845 related to the derivative liability in its consolidated statements of loss and comprehensive loss and the carrying amount of the derivative liability of $808,365 on the conversion date was discharged to equity.

Detachable Stock Purchase Warrants

As part of the 2021 Convertible Debenture financing, the FRX Canada issued detachable stock purchase warrants to purchase the common shares. The warrants provided the option to acquire in aggregate the number of common shares equal to 7% of the gross proceeds from an initial public offering of the Company's securities divided by the subscription price of the securities issued in the initial public offering. As the warrants were exercisable into a variable number of shares, the warrants qualified for treatment as a liability and were recorded at fair value at the end of 2021. The fair value of the warrants as at December 31, 2021 was $89,411 based on the Black-Scholes option pricing model.

On the completion of the RTO transaction, these warrants were converted to 177,670 common share purchase warrants of the Company which are exercised to the common shares at an exercise price of $0.74 (CA $1) per share for the period of 2 years. The fair value of the warrants of $31,707 on the RTO date was discharged to equity and was determined using Black-Scholes option pricing model with the following assumptions: expected life in years - 2, volatility - 75%, risk free rate - 2.59%, share price - $0.56, dividend yield - 0%. During the year ended December 31, 2022, the Company recorded fair value adjustment (gain) of $57,704 related to these warrants.

(Expressed in United States Dollars)

16. SHARE-BASED COMPENSATION

During 2021, the Company adopted the 2021 Stock Option and Grant Plan (the "2021 Plan"), which replaces the 2010 Stock Option and Grant Plan (the "2010 Plan") and provides for the granting of incentive and nonqualified stock options, restricted stock, and other share-based awards to employees, directors, advisors, and consultants. The Board of Directors determines the contractual term of each option, option price, and number of shares for which each option is granted, and the vesting period.

Under the terms of the 2021 Plan, the exercise price of stock options granted must not be less than 100% of the fair market value of the common stock on the date of grant. The maximum number of shares reserved and available for issuance under the 2021 Plan was 5,250,000 shares. There were 1,321,622 options to purchase the Company's common stock and 3,928,378 shares of restricted stock issued under the 2021 Plan at December 31, 2021.

In 2022, as part of RTO, the Company adopted a new 10% rolling stock option plan.

The following table summarizes the stock option activity of the 2010 Plan for the below period:

	Number of Shares	Weighted-Average Exercise Price	Weighted- Average Remaining Contractual Term
Outstanding at December 31, 2022	1,423,033	$ 0.24	9.75
Granted	-		
Forfeited	-		
Outstanding at June 30, 2023	1,423,033	$ 0.24	8.5
Vested and exercisable at June 30, 2023	1,423,033		

The fair value of stock options granted in 2021 was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions:

Expected Option Term	10.00 years
Expected Volatility	140%
Risk-free Rate	0.37%
Expected Annual Dividend Yield	0%

The Company recognized $103,964 in share-based compensation expense related to the stock options during the six-month period ended June 30, 2023 (2022 - $131,108). The fair value of stock options was estimated using the Black-Scholes option pricing model with the following assumptions:

Expected Option Term	3.00 years
Expected Volatility	127%
Risk-free Rate	3.31%
Expected Annual Dividend Yield	0%

17. SHARE CAPITAL

The Company has authorized an unlimited number of common shares and 26,943,247 common shares were held in escrow as at June 30, 2023.

Common shares

Shares issued on RTO

On May 16, 2022 the Company reorganized its share capital in conjunction with the RTO transaction. All previously existing share classes were exchanged for 30,016,310 common shares of the Company on the basis of 1.0767 Company's common shares for each FRX Polymers, Inc. share, pursuant to the RTO terms described above.

Upon completion of the RTO, 1,657,143 common shares of the Company with the fair value of $925,778 were deemed to be issued to the prior owners of G2G, refer to Note 4. In connection with the RTO transaction, the Company issued 636,781 common shares with the fair value of $355,744 to finders, refer to Note 4.

RTO Concurrent financing

In February 2022, FRX Canada completed a private placement and sold 6,014,000 Subscription Receipts at a price of $0.77 (CA $1) per Subscription Receipt for the gross proceeds of $4,666,356 (CA $6,014,000). Each receipt entitled the holder to receive one unit of the Company upon completion of the RTO transaction. Each Subscription Receipt entitles the holder thereof to receive, upon completion of the RTO transaction and without payment of additional consideration or further action, one unit (the "Unit") of the Company. Each Unit is comprised of one common share in the capital of the Company and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one common share of the Company at an exercise price of $1.00 (CA $1.30) for a period of twenty-four (24) months from the RTO date. Each Subscription Receipt was automatically converted, without payment of any additional consideration and without any further action by the holder, for one common share and one-half of one Warrant for a total of 6,014,000 common shares and 3,007,000 warrants on the completion of the RTO, May 16, 2022.

The Company allocated the gross proceeds between common shares and warrants using a relative fair value approach of $3,724,455 and $465,557 respectively, net of cash transaction fees paid to the brokers of $476,345 which were deducted $423,417 and $52,927 from common shares and warrants respectively.

In connection with the Subscription Receipts, the Company issued 417,550 broker warrants which were accounted for as the transaction fees. Each broker warrant entitles the holder thereof to purchase one common share of the Company at an exercise price of $0.77 (CA $1.00) for a period of twenty-four (24) months. The broker warrants were valued at $75,434 using the Black-Scholes option pricing model with the following assumptions: expected life in years- 2, volatility- 75%, risk free rate- 2.59%, share price- $0.56, dividend yield- 0%. The fair value of the warrants was deducted $67,052 and $8,382 from common shares and warrants respectively. In addition, in connection with the Subscription Receipts the Company paid legal fees of $216,655 which were deducted from common shares.

In February - April 2022, FRX Canada completed a private placement and sold 859,029 Convertible Units at a price of $0.77 (CA $1) per Convertible Unit for the gross proceeds of $658,774 (CA $859,029). Each Convertible Unit entitled the holder to receive one unit of the Company upon completion of the RTO transaction. Each Convertible Unit entitles the holder thereof to receive, upon completion of the RTO transaction and without payment of additional consideration or further action, one unit (the "Unit") of the Company. Each Unit is comprised of one common share in the capital of the Company and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one common share of the Company at an exercise price of $1 (CA $1.3) for a period of twenty-four (24) months from the RTO date. Each Convertible Unit was automatically converted, without payment of any additional consideration and without any further action by the holder, for one common share and one-half of one Warrant for a total of 859,029 common shares and 429,515 warrants on the completion of the RTO, May 16, 2022.

The Company allocated the gross proceeds between common shares and warrants using a relative fair value approach of $584,715 and $74,060 respectively.

17. SHARE CAPITAL (Continued)

Common shares (Continued)

Conversion of 2020 and 2019 Convertible Notes, 2021 Convertible Debentures and common stock warrant liability

On the completion of the RTO transaction, the total principal amount and accrued interest of 2019 and 2020 Convertible Notes of $9,252,753 was converted to 20,172,484 common shares of the Company, refer to Note 14.

On the completion of the RTO transaction, the carrying amount of common stock warrant liability of $7,899,201 was converted to 15,438,499 common shares of the Company, refer to Note 14.

On the completion of the RTO transaction, the total principal amount and accrued interest of 2021 Convertible Debentures of $3,146,354 was converted to 5,209,069 common shares of the Company. In addition, the derivative liability related to the 2021 Convertible Debentures in the carrying amount of $808,365 was discharged to equity, refer to Note 15.

November- December 2022 private placement

In November - December 2022, the Company completed a private placement and sold 5,316,011 Units at a price of $0.22 (CA $0.30) per Unit for the gross proceeds of $1,168,097 (CA $1,594,803). Each Unit is comprised of one common share in the capital of the Company and one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one common share of the Company at an exercise price of $0.29 (CA $0.40) for a period of twenty-four (24) months. As a result of this financing, a total of 5,316,011 common shares and 5,316,011 warrants were issued.

The Company allocated the gross proceeds between common shares and warrants using a relative fair value approach of $746,492 and $343,011 respectively, net of cash transaction fees of $78,594 which were deducted $53,977 and $24,617 from common shares and warrants respectively.

In connection with the Units, the Company issued 360,081 broker warrants which were accounted for as the transaction fees. Each broker warrant entitles the holder thereof to purchase one common share of the Company at an exercise price of $0.22 (CA $0.30) for a period of thirty-six (36) months. The broker warrants were valued at $44,916 using the Black-Scholes option pricing model with the following assumptions: expected life in years- 3, volatility- 75%, risk free rate- 3.64%- 3.77%, share price- $0.23, dividend yield- 0%. The fair value of the warrants was deducted $30,818 and $14,099 from common shares and warrants respectively.

On January 9, 2023, the Company completed a final closing of a non-brokered private placement offering of 30,000 units of the Company at a price of CAD$0.30 per unit, for aggregate gross proceeds of CAD$9,000. Each unit comprised of one common share of the Company and one common share purchase warrant of the Company. Each warrant entitles the holder thereof to purchase one additional common share of the Company at a price of CAD$0.40 at any time on or before the 36-month anniversary of the date of closing.

The Company completed a non-brokered private placement in March 2023. The offering comprised of 13,091,000 units at a price per unit of CAD$0.30 for aggregate gross proceeds of $2,850,434 (CAD$3,927,300), on the same terms as the January 9, 2023, closing described above. The net proceeds from the raise were $2,816,294 less cash commissions of $81,769 (CAD$110,592) in connection with the Units, the Company issued 368,640 broker warrants which were accounted for as the transaction fees. Each broker warrant entitles the holder thereof to purchase one common share of the Company at an exercise price of $0.22 (CA $0.30) for a period of thirty-six (36) months. The broker warrants were valued at $46,961 using the Black-Scholes option pricing model with the following assumptions: expected life in years- 3, volatility- 90%, risk free rate- 3.64%- 3.77%, share price- $0.23, dividend yield- 0%. The fair value of the warrants was deducted from common shares and warrants respectively.

(Expressed in United States Dollars)

17. SHARE CAPITAL (Continued)

Restricted Stock

In October 2021 the Company issued 4,229,685 shares of Basic Common Stock to certain employees and directors which are restricted stock as described below. The Company has the right to repurchase the unvested shares upon termination of employment or service and the shares are subject to certain transfer and forfeiture restrictions. As of May, 16 2022, completion of the RTO transaction, all restricted shares issued became fully vested. The issuance of the restricted stock was accounted for a share-based compensation in accordance with IFRS 2, *Share-based Payment*. The fair value of the restricted stock on the grant date was estimated $942,811 and recognized as share-based compensation by the year ended December 31, 2022 in its consolidated statements of loss and comprehensive loss.

Warrants

	Number of warrants		Total
Outstanding - December 31, 2021	-	$	-
G2G warrants replaced on RTO (Note 4)	57,143		18,256
RTO finder's fees- warrants (Note 4)	318,391		44,468
RTO Concurrent financing (a)	4,031,735		638,376
November- December 2022 private placement (b)	5,676,092		373,828
January 2023 private placement (c)	32,400		2,298
March 2023 private placement (d)	13,459,640		996,719
G2G warrants expired May 2023	(57,143)		(18,256)
Outstanding – June 30, 2023	**23,518,258**	**$**	**2,055,689**

a) As detailed in the RTO Concurrent financing Subscription Receipts above, on completion of the RTO transaction, 3,007,000 warrants were issued and valued using a relative fair value between common share and warrant at $465,557 net of cash transaction fees. The fair value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: expected life in years- 2, volatility- 75%, risk free rate- 2.59%, share price- $0.56, dividend yield- 0%.

In connection with the Subscription Receipts, 417,550 broker warrants were issued as transaction fees and valued at $75,434 which was deducted $67,052 and $8,382 from common shares and warrants respectively.

As detailed in the RTO Concurrent financing Convertible Units above, on completion of the RTO transaction, 429,515 warrants were issued and valued using a relative fair value between common share and warrant at $74,060. The fair value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: expected life in years- 2, volatility- 75%, risk free rate- 2.59%, share price- $0.56, dividend yield- 0%.

As detailed in Note 15, 177,670 warrants were issued on the completion of the RTO and valued at $31,707.

b) As detailed in the RTO Concurrent financing private placement above, 5,316,011 warrants were issued and valued using a relative fair value between common share and warrant at $343,012 net of cash transaction fees. The fair value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: expected life in years- 3, volatility- 75%, risk free rate- 3.64%- 3.77%, share price- $0.23, dividend yield- 0%.

In connection with the November - December 2022 private placement, 360,081 broker warrants were issued as transaction fees and valued at $44,916 which was deducted $30,818 and $14,099 from common shares and warrants respectively.

The weighted average exercise price of the warrants outstanding as at June 30, 2023 is $0.53 (2022 - $0.58) and the weighted average expected life is 2.41 years (2022 – 2.03 years).

18. INCOME TAXES

No provision for Federal or state income taxes has been recorded for the six months ended June 30, 2023, as the Company has incurred cumulative net operating losses since inception. The Company also had foreign net operating losses for which the Company has not provided any tax benefit or valuation allowance. The Company neither has any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Company has determined that it cannot recognize deferred tax assets on the tax losses carried forward.

Utilization of the net operating losses and research and development credits may be subject to a substantial annual limitation under Section 382 of the Internal Revenue Code of 1986 (Section 382) due to ownership change limitations that have occurred previously or could occur in the future, as well as similar state provisions.

These ownership changes may limit the amount of net operating losses and research and development credit carryforwards that can be utilized annually to offset future taxable income and tax, respectively.

The Company has not currently completed a study to assess whether an ownership change has occurred, or whether there have been multiple ownership changes since formation, due to the significant complexity and related costs associated with such a study. Any limitation may result in expiration of a portion of the net operating losses or research and development credit carryforwards before utilization.

Realization of deferred tax assets is dependent upon the generation of future taxable income. Management of the Company has evaluated the positive and negative evidence bearing upon the realizability of its deferred tax assets, which are composed principally of net operating loss carryforwards and capitalized research and development expenditures. As a result of the fact that the Company has incurred tax losses from inception, management has determined that it is more-likely-than-not that the Company will not recognize the benefits of Federal and state net deferred tax assets, and as a result, there is no deferred tax asset recognized. The Company has offset certain deferred tax liabilities with deferred tax assets that are expected to generate offsetting deductions within the same periods.

The Company has not been examined by the Internal Revenue Service or any other jurisdiction for any tax years and, as such, all years within the applicable statutes of limitations are potentially subject to audit. The Company has not conducted a study of its research and development credit carryforwards. This study may result in an adjustment to research and development credit carryforwards; however, until a study is completed and any adjustment is known, no amounts are being presented as an uncertain tax position. A full valuation allowance has been provided against the Company's research and development credits and, if an adjustment is required, this adjustment would be offset by an adjustment to the valuation allowance. Thus, there would be no impact to the consolidated statements of financial position or consolidated statements of profit or loss and comprehensive loss if an adjustment were required.

(Expressed in United States Dollars)

19. LOSS PER SHARE

Basic loss per share is calculated by dividing the net comprehensive loss attributable to controlling interest for the period by the weighted-average number of common shares outstanding during the period.

		Six months Ended June 30, 2023		**Six months Ended June 30, 2022**
Net comprehensive loss	$	(2,701,108)	$	(8,673,504)
Weighted-average number of common shares outstanding		93,857,480		41,835,171
Loss per share: basic and diluted	$	(0.03)	$	(0.21)

		Three months Ended June 30, 2023		**Three months Ended June 30, 2022**
Net comprehensive loss	$	(1,677,098)	$	(2,187,956)
Weighted-average number of common shares outstanding		99,457,659		53,654,032
Loss per share: basic and diluted	$	(0.02)	$	(0.04)

The effect of dilution from stock options, warrants and convertible debentures was excluded from the calculation of weighted-average number of shares outstanding for diluted loss per share for the six months ended June 30, 2023 and 2022, as they are anti-dilutive.

20. CAPITAL RISK MANAGEMENT

The Company's main objectives for managing capital are to achieve economically sustainable operations and to maximize the interests of the shareholders.

Since inception, the Company has financed its operations through external debt financing, share issuances and government assistance. The Company currently also supports operations through a deferral of principal repayments on its bank debt. At present, KBC, the Belgian lender, has a standstill on principal repayments in effect until June 2022. Since the Company does not have net earnings from its operations currently, the Company's long-term liquidity depends on its ability to access capital markets, as well as favorable capital market conditions and availability. The Company is not subject to any externally imposed capital requirements.

21. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, trade receivables, trade payables, accrued expenses, notes payable, and convertible notes payables and are measured and presented at amortized cost. The carrying amounts of these instruments at June 30, 2023 and December 31, 2022, approximate fair value.

The Company is exposed to risks of varying degrees from its use of financial instruments which could affect its ability to achieve its strategic objectives for growth and stockholder returns. Management has identified the principal risks to which the Company is exposed to in ongoing operations described on the following page, along with the actions taken to manage them.

(Expressed in United States Dollars)

21. FINANCIAL INSTRUMENTS (Continued)

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements for invested assets are categorized into levels within a fair value hierarchy based on the nature of valuation inputs (Level 1, 2 or 3).

The fair value of other financial assets and financial liabilities is considered to be the carrying value when they are of short duration or when the instrument's interest rate approximates current observable market rates.

Where other financial assets and financial liabilities are of longer duration, then fair value is determined using the discounted cash flow method using discount rates based on adjusted observable market rates.

The table below summarizes the assets and liabilities that are included at their fair values in the Company's consolidated statement of financial position at June 30, 2023 and December 31, 2022.

These assets and liabilities have been categorized into hierarchical levels, according to the reliability of the inputs used in determining fair value measurements. During the six-month period ended June 30, 2023, no transfers between fair value hierarchy levels occurred. The fair value hierarchy has the following levels:

Level 1 – quoted prices
Represents unadjusted quoted prices for identical instruments exchanged in active markets.

Level 2 – significant other observable inputs
Includes directly or indirectly observable inputs, other than quoted prices for identical instruments exchanged in active markets.

Level 3 – significant unobservable inputs
Includes inputs that are not based on observable market data.

				At June 30, 2023
	Level 1	**Level 2**	**Level 3**	**Total**
Cash	$1,007,568	$-	$-	$1,007,568
Common Stock warrant	-	-	-	-
Derivative liability	-	-	-	-
Convertible debenture	-	-	-	-
	$1,007,568	$-	$-	$1,007,568

				At December 31, 2022
	Level 1	**Level 2**	**Level 3**	**Total**
Cash	$559,466	$-	$-	$559,466
Common Stock warrant	-	-	-	-
Derivative liability	-	-	-	-
Convertible debenture	-	-	-	-
	$559,466	$-	$-	$559,466

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk from customers. In order to reduce its credit risk, the Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. Three customers represented approximately 49% and 53% of the outstanding trades receivable balance as of June 30, 2023 and December 31, 2022, respectively. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

21. FINANCIAL INSTRUMENTS (Continued)

Credit risk (Continued)

The aging of the Company's trade receivables as at June 30, 2023 and December 31, 2022 were as follows:

		June 30, 2023		December 31, 2022
1 – 30 days	$	-	$	116,347
31 – 60 days		439,400		-
61 – 90 days		12,411		-
Over 91 days		543,478		346,072
Balance	$	995,289	$	462,419

A continuity of the allowance for doubtful accounts is as follows:

		June 30, 2023		December 31, 2022
Beginning balance	$	370,314	$	118,380
Foreign exchange loss (gain)		7,685		(2,394)
Allowance made during the period		-		254,328
Ending balance	$	377,999	$	370,314

Foreign currency risk

The operating results and financial position of the Company are reported in USD. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the USD. The results of the Company's operations are subject to currency transaction and translation risks. The Company holds cash in CAD dollars and Euros. The Company's main risk is associated with fluctuations in the CAD dollar and Euro. Assets and liabilities are translated based on the foreign currency translation policy described in Note 2. At June 30, 2023 and December 31, 2022, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks.

The Company has estimated that the effect of a 1% increase or decrease in the CAD dollar against the Company's functional currency (USD) on the financial assets and liabilities, as at June 30, 2023, including cash, other current assets, accounts payable, accrued expenses and other liabilities would result in an increase or decrease of approximately $5,450 in the net loss for the six-month period ended June 30, 2023 (2022 - $nil).

The Company has estimated that the effect of a 1% increase or decrease in the Euro against the Company's functional currency (USD) on the financial assets and liabilities, as at June 30, 2023, including cash, trade receivables, inventories, other current assets, plant and equipment, right of use assets, accounts payable, accrued liabilities and other current liabilities, notes payable and lease liabilities would result in an increase or decrease of approximately $90,808 in the net loss for the six-month period ended June 30, 2023 (2022 - $54,930).

(Expressed in United States Dollars)

21. FINANCIAL INSTRUMENTS (Continued)

Interest Rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company is exposed to interest rate cash flow risk primarily through its floating interest credit facility as the required cash flow to service the debt will fluctuate interest rates change, and, in particular, the Euribor rate which is used by its European bankers. Fixed-interest instruments are subject to fair value risk. The Company's credit facilities bear variable rate interest. For each 0.25% change in rate, the Company's net earnings would be impacted by $32,233 and $38,138 at June 30, 2023 and December 31, 2022, respectively.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Liquidity risk

Liquidity risk is the risk that the Company may not have cash to meet financial liabilities as they come due. The Company's liquidity requirements are met through the cash generated from operations and capital raises. Management monitors and manages its liquidity risk through regular monitoring of its financial liabilities against the constraints of its available financial assets.

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations. All of the Company's financial liabilities are due within one year except for lease liabilities and notes payable.

	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	5+ years
Accounts payable	$ 2,949,024	$ 2,949,024	$ 2,949,024	$ -	$ -	$ -
Accrued expenses and other current liabilities	542,179	542,179	542,179	-	-	-
Lease liability	824,688	1,715,435	46,791	164,240	363,256	1,141,148
Notes payable	12,893,331	12,593,875	10,056,166	1,651,994	4,189,703	-
	$ 17,209,222	$ 17,800,513	$ 13,594,160	$ 1,816,234	$ 4,552,959	$ 1,141,148

(Expressed in United States Dollars)

22. COMPREHENSIVE LOSS

The Company reports comprehensive loss in addition to net loss from operations. Comprehensive loss is defined as the change in equity of a business enterprise during a period from transactions, and other events and circumstances. The components of comprehensive loss for the six months ended June 30, 2023, and the year ended December 31, 2022, consisted of foreign currency translation adjustments. Accumulated other comprehensive loss consisted of the following at:

		June 30, 2023		June 30, 2022
Beginning accumulated other comprehensive loss	$	(959,893)	$	(337,225)
Foreign currency translation adjustment		6,376		509,850
Ending accumulated other comprehensive gain (loss)	$	(953,517)	$	172,625

23. EMPLOYEE BENEFIT PLAN

The Company participates in a 401(k) defined contribution plan sponsored by a company that is also a stockholder in FRX. Employees are eligible to participate upon commencement of employment. Participants can elect to defer up to the maximum allowed under the Internal Revenue Code. The Company has the option to make a matching contribution equal to a percentage of participant salary deferrals and to make a discretionary profit-sharing contribution. Participants are fully vested in their contributions to the plan. The Company made matching contributions of approximately $14,600 and $14,600 for the six months ended June 30, 2023 and 2022, respectively.

24. RELATED PARTY TRANSACTIONS

The Company has an administrative services agreement related to certain human resource, IT and other administrative services with a company whose principal owner is the chairman of the Board of the Company. Fees are based on actual services performed and are billed monthly. In addition, the Company is responsible for reasonable and necessary expenses associated with the services provided. For the six months ended June 30, 2023 and 2022, administrative expenses incurred under this agreement totaled approximately $6,500 and $6,000, respectively, and are recorded in operating expenses in the accompanying interim condensed consolidated statements of profit or loss and comprehensive loss.

The Company has a consulting services agreement with an executive of the Company who has also been granted stock options. Fees are based on actual services performed and are billed monthly. For the six months ended June 30, 2023, consulting expenses incurred under this agreement totaled approximately $60,000 and are recorded in operating expenses in the accompanying interim condensed consolidated statement of profit or loss and comprehensive loss and in accounts payable in the accompanying interim condensed consolidated statement of financial position as of June 30, 2023.

Compensation of key management personnel for the Company for the six months ended June 30:

		2023		2022
Salaries & Fees	$	294,000	$	144,863
Post employment, health and other benefits		17,740		15,468
Other professional services		33,157		102,118
Director and employee stock compensation		-		708,476
Total	$	344,897	$	970,925

The amounts disclosed in the above table are the amounts recognized as an expense during the reporting period related to key management personnel.

(Expressed in United States Dollars)

24. RELATED PARTY TRANSACTIONS (Continued)

Compensation of key management personnel for the Company for the three months ended June 30:

	2023	2022
Salaries & Fees	$ 207,750	$ 75,196
Post employment, health and other benefits	11,028	6,002
Other professional services	-	53,599
Director and employee stock compensation	-	177,120
Total	$ 218,778	$ 311,917

The amounts disclosed in the above table are the amounts recognized as an expense during the reporting period related

25. OPERATING EXPENSES

Included within cost of goods sold for the quarter ended June 30, 2023, were direct production staff costs amounting to $115,863 and depreciation and amortization charges amounting to $474,537.

Operating expenses consist of the following for the six months ended June 30:

	2023	2022
Personnel expenses	$ 861,141	$ 996,109
Depreciation and amortization	525,973	39,381
Share based compensation	77,131	708,476
General and administrative	1,694,009	1,027,140
Total administrative expense	$3,158,254	$2,771,106

Operating expenses consist of the following for the three months ended June 30:

	2023	2022
Personnel expenses	$ 597,063	$ 477,151
Depreciation and amortization	271,744	19,590
Share based compensation	0	177,120
General and administrative	868,807	675,690
Total administrative expense	$1,420,640	$1,347,521

(Expressed in United States Dollars)

26. CONTINGENCIES

Litigation Claims

The Company is party to a claim brought by the Flemish Government with respect to monies received by the Company pursuant to a 2014 strategic transformation grant. On November 19, 2020, the responsible government agency reversed its earlier grant decision, set aside its previous inspection conclusions, and requested the return of €960,000. Legal briefs were submitted on behalf of the Company on December 15, 2021, and final submissions were due April 15, 2022. No trial date has been set. It is the view of the Company based on the advice of legal counsel that the retro-active amendment of the grant terms and conditions will ultimately prove to be unsuccessful and, accordingly, the Company has not made any monetary provisions for a contingent payment. Legal fees associated with this matter are not anticipated to be material.

During 2022, the Company received formal confirmation of a stay in the case relating to the Flemish Government's claim as described.

27. GEOGRAPHICAL INFORMATION

	Six months Ended June 30, 2023	Six months Ended June 30, 2022
Revenue from External Customers:		
Asia	$ 1,202,233	$ 838,312
Europe	906,940	467,478
Americas	-	-
Total	$ 2.109,163	$ 1,305,790

Noncurrent Assets:	June 30, 2023	December, 31 2022
Patents, net:		
United States	$ 308,796	$ 330,555
Intangible assets, net:		
United States	$ 381,312	$ 382,416
Deferred offering costs:		
United States	$ -	$ -
Right-of-use assets:		
United States	$ 402,731	$ 414,534
Belgium	$ 416,753	$ 428,966
Plant and equipment, net:		
United States	$ 13,854	$ 14,936
Belgium	$ 17,275,354	$ 17,219,341

28. SUBSEQUENT EVENTS

On July 3, 2023, the managing director and vice president of the largest shareholder of the Company, a director of the of FRX , advanced a $100,000, 12-month working capital line of credit to the Company with interest calculated at 10% per annum, with repayment starting on October 31, 2023, and ending on July 31, 2024.

On July 4, 2023, the Bank (refer to Note 13(a)) provided a waiver to the financial covenant that the Company violated as of December 31, 2022. Since the waiver was received subsequent to year end, the full amount of the credit line was presented under current liabilities as at December 31, 2022.