FRX INNOVATIONS INC.

(FORMERLY GOOD2GORTO CORP.)

CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN UNITED STATES DOLLARS)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Independent Auditor's Report

To the Shareholders of FRX Innovations Inc. (formerly Good2GoRTO Corp.):

Opinion

We have audited the consolidated financial statements of FRX Innovations Inc. (formerly Good2GoRTO Corp.) and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2022 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2022 and, as of that date, the Company had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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, we have determined the matter described below to be the key audit matter to be communicated in our report.

Impairment assessment for long-lived assets

Key Audit Matter Description

As described in Notes 8, 10 and 11, the carrying value of property, plant and equipment and intangible assets (together with property, plant and equipment, “long-lived assets”) amounted to approximately $17.9 million as at December 31, 2022. To determine whether the carrying value of long-lived assets is impaired, the Company estimated the recoverable amount that was determined based on a value in use calculated for the related cash generating units (“CGUs”). As a result of the impairment analysis, the Company determined that the carrying value of long-lived assets does not exceed their recoverable amount therefore no impairment has been recognized.

Evaluating the Company’s determination of the recoverable amount required a high degree of auditor judgment. Specifically, the key assumptions in the assessment are future operating results, including revenue, gross profit and operating margins, growth rates, terminal growth rate and discount rates used to measure the value in use, which involve a high degree of subjectivity and effort in performing procedures and evaluating audit evidence relating to management’s estimates. Accordingly, we identified the impairment assessment for long-lived assets as a key audit matter.

Audit Response

We responded to this matter by performing procedures over the impairment assessment for long-lived assets. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained an understanding, evaluated the design and implementation of controls addressing the risk of material misstatement relating to the Company's impairment process. This included testing management's review controls over the quantitative data and assumptions used in the undiscounted cash flow impairment analysis, including the underlying data used to perform these analyses.
- Utilized internal valuation experts to evaluate the reasonability of the impairment model used by management and the appropriateness of the Company's discount rates, and certain other key management assumptions;
- Assessed management’s assumptions about revenue growth rate forecasts, expected margin realization rates and terminal growth rates in light of historical results and projected future economic and market conditions;
- Assessed the discount rate applied, including comparison of underlying components in management’s calculations to external benchmarks and publicly available data, as applicable;
- Tested the mathematical accuracy of management’s impairment model and supporting calculations; and
- Assessed the appropriateness and completeness of related disclosures in the consolidated financial statements.

Other Matter

The consolidated financial statements for the year ended December 31, 2021 were audited by another auditor, in accordance with auditing standards generally accepted in the United States of America, who expressed an unmodified opinion on those consolidated financial statements on May 19, 2022

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Eduard Shvekher.

MNP LLP

Toronto, Ontario
July 7, 2023

Chartered Professional Accountants
Licensed Public Accountants

FRX INNOVATIONS INC.
(formerly Good2GoRTO Crop.)

Consolidated Statements of Financial Position
(Expressed in United States Dollars)
As of December 31, 2022 and December 31, 2021

Assets	**Note**	**December 31, 2022**	**December 31, 2021**
Current Assets:			
Cash		$ 559,466	$ 453,359
Trade receivables, net	5	462,419	2,270,015
Inventories, net	6	3,329,469	1,418,949
Other current assets	7	198,236	303,840
Total current assets		4,549,590	4,446,163
Non-current Assets:			
Prepaids		45,697	-
Plant and equipment, net	8	17,234,277	19,142,681
Right-of-use assets	9	843,500	510,289
Patents, net	10	330,555	416,376
Intangible assets, net	11	382,416	386,832
Deferred offering costs	4	-	564,818
Total non-current assets		18,836,445	21,020,996
Total assets		$ 23,386,035	$ 25,467,159
Liabilities, Stockholders' Deficit and Non-Controlling Interest			
Current Liabilities:			
Accounts payable		$ 3,345,833	$ 1,973,805
Accrued expenses and other current liabilities	12	545,975	819,989
Current portion of lease liability	9	120,870	35,746
Current portion of notes payable	13	9,761,674	1,269,904
Total current liabilities		13,774,352	4,099,444
Long-Term Liabilities:			
Notes payable, net of current portion	13	2,832,202	12,503,777
Common stock warrant liability - FRX Polymer Canada, Inc.	15	-	89,411
Lease liability, net of current portion	9	767,278	504,385
2020 and 2019 Convertible notes payable and accrued interest	14	-	9,021,104
Common stock warrant liability - FRX Polymers, Inc.	14	-	3,427,236
2021 Convertible debentures	15	-	3,048,597
2021 Convertible debentures - derivative liability	15	-	902,210
Finco New Convertible Debentures		-	54,663
Total long-term liabilities		3,599,480	29,551,383
Total liabilities		17,373,832	33,650,827
Stockholders' Equity (Deficit):			
Share capital	17	27,157,210	-
Common Stock, $0.001 par value:			
Bridge	17	-	16,560
Mezzanine	17	-	5,760
Basic	17	-	5,558
Contributed surplus	16	25,302,974	25,049,194
Warrants reserve	17	1,074,929	-
Deferred compensation - restricted stock	17	-	(533,666)
Accumulated deficit		(46,023,728)	(31,850,560)
Accumulated other comprehensive loss	22	(959,893)	(337,225)
Total stockholders' equity (deficit)		6,551,492	(7,644,379)
Non-Controlling Interest		(539,289)	(539,289)
Total liabilities, stockholders' equity (deficit) and non-controlling interest		$ 23,386,035	$ 25,467,159

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
(Expressed in United States Dollars)
For the Years Ended December 31, 2022 and 2021

	Note	Years Ended December 31 2022	2021
Revenue		$ 3,114,136	$ 6,120,089
Cost of Goods Sold		3,165,553	7,109,089
Gross margin		(51,417)	(989,000)
Operating Expenses:			
Administrative	25	6,157,798	2,416,290
Research		503,157	763,280
Sales and marketing		72,784	620,988
Total operating expenses		6,733,739	3,800,558
Operating loss		(6,785,156)	(4,789,558)
Other Income (Expense):			
Fair value adjustment	14, 15	(4,325,636)	(2,428,522)
Interest income		-	11
Other income		267,826	-
Gain on debt modification		-	720,599
Foreign currency gain (loss)		263,505	(816,741)
Interest expense	13, 14, 15	(1,680,951)	(1,417,326)
Listing expense	4	(1,912,756)	-
Total other expense		(7,388,012)	(3,941,979)
Net loss		(14,173,168)	(8,731,537)
Other Comprehensive Loss:			
Foreign currency translation adjustment		(622,668)	165,923
Net comprehensive loss		$ (14,795,836)	$ (8,565,614)
Net Comprehensive Loss attributable to:			
Non-Controlling Interest		-	(5,585)
Net Comprehensive Loss attributable to: Controlling Interest		$ (14,795,836)	$ (8,571,199)
Loss per Share:			
Basic and diluted	19	$ (0.23)	$ (0.33)
Weighted average number of shares outstanding		61,645,217	26,844,048

FRX INNOVATIONS INC.
(formerly Good2GoRTO Crop.)

Consolidated Statements of Stockholders' Equity (Deficit)
(Expressed in United States Dollars)
For the Years Ended December 31, 2022 and 2021

								5,984,367				Deferred		Accumulated		
				Common Stock								Compensation -		Other	Non-	
		Share Capital		Bridge Common Stock		Mezzanine Common Stock		Basic Common Stock		Contributed	Warrants	Restricted	Accumulated	Comprehensive	Controlling	
	Note	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	surplus	reserve	Stock	Deficit	Income (Loss)	Interest	Total
Balance, December 31, 2020		-	$ -	17,830,152	$ 16,560	6,201,792	$ 5,760	1,754,682	$ 1,630	$ 23,976,291	$ -	$ -	$ (23,113,438)	$ (503,148)	$ (544,874)	$ 383,655
Issuance of restricted stock		-	-	-	-	-	-	4,229,684	3,928	938,883	-	(942,811)	-	-	-	-
Share based compensation expense restricted stock		-	-	-	-	-	-	-	-	-	-	409,145	-	-	-	409,145
Share based compensation expense stock options		-	-	-	-	-	-	-	-	134,020	-	-	-	-	-	134,020
Foreign currency translation adjustment		-	-	-	-	-	-	-	-	-	-	-	-	165,923	-	165,923
Net loss		-	-	-	-	-	-	-	-	-	-	-	(8,737,122)	-	5,585	(8,737,122)
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
Issued on private placement, November-December 2022, net of costs	17	5,316,011	715,674	-	-	-	-	-	-	-	373,829	-	-	-	-	1,089,503
Stock based compensation		-	-	-	-	-	-	-	-	200,855	-	533,666	-	-	-	734,521
Foreign currency translation adjustment		-	-	-	-	-	-	-	-	-	-	-	-	(622,668)	-	(622,668)
Net loss		-	-	-	-	-	-	-	-	-	-	-	(14,173,168)	-	-	(14,173,168)
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**

FRX INNOVATIONS INC.
(formerly Good2GoRTO Crop.)

Consolidated Statements of Cash Flows
(Expressed in United States Dollars)
For the years Ended December 31, 2022 and 2021

	2022	2021
Cash flow from operating activities:		
Net income (loss) for the period	$ (14,173,168)	$ (8,731,537)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	901,370	1,005,655
Amortization of patents	50,000	42,592
Amortization of intangible assets	4,416	4,416
Amortization of debt issuance costs	-	53,821
Amortization of right-of-use asset	114,586	26,219
Impairment of patents	35,821	14,815
Gain on debt modification	-	(720,599)
Amortization of debt discount	-	137,468
Provision for expected credit loss	251,934	10,165
Increase in inventory reserve	-	248,249
Share-based compensation - restricted stock	533,666	409,145
Share-based compensation - stock options	200,855	134,020
Noncash listing expense	1,376,580	-
Noncash interest on convertible notes payable	-	399,381
Noncash interest on convertible debentures	-	73,747
Interest expense	115,308	27,676
Fair value of common stock warrants	4,325,636	1,526,312
Fair value of derivative liability	-	902,210
Unrealized currency transaction (gain) loss	199,519	1,234,604
Changes in operating assets and liabilities:		
A/R	1,555,662	181,576
Inventories	(1,910,520)	(615,667)
Other current assets	59,908	36,315
Accounts payable	1,098,733	542,637
Accrued expenses and other current liabilities	-	(322,711)
Net cash used in operating activities	(5,259,694)	(3,379,491)
Cash flows from investing activities		
Increase in cash due to Good2GoRTO	21,308	-
Additions to intangible assets	-	(105,489)
Acquisition of plant and equipment	(32,260)	(15,974)
Net cash used in investing activities	(10,952)	(121,463)
Cash flow from financing activities:		
Proceeds from private placement, net of issuance costs	5,938,329	-
Proceeds from exercise of warrants	134,418	-
Proceeds from issuance of convertible notes	-	1,000,000
Proceeds from issuance of convertible debentures	-	3,141,561
Principal payment of lease liability	(154,272)	(42,689)
Issuance costs	-	(131,683)
Deferred offering amounts received	-	(564,818)
Payments on notes and interest payable	(527,396)	(33,912)
Net cash provided by financing activities	5,391,079	3,368,459
Effect of Exchange Rate Changes on Cash	(14,326)	38,445
Net Change in Cash and Cash Equivalents	106,107	(94,050)
Cash and Cash Equivalents:		
Beginning of year	453,359	547,409
End of year	559,466	453,359
Supplemental Disclosure of Non-Cash Transactions:		
Issuance of restricted stock	$ -	$ 942,811
Shares issued as part of the RTO	$ 1,281,522	$ -
Reallocation of fair value of warrants upon exercise	$ 7,899,201	$ -
Shares issued for conversion of convertible notes	$ 13,207,472	$ -
Shares issued for conversion of convertible debentures	$ 3,954,719	$ -
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 1,565,643	$ 725,233

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 a three-cornered amalgamation and a reverse triangular merger, pursuant to which, newly formed subsidiaries of FRX Polymers, Inc. and of G2G amalgamated and the resulting entities became wholly-owned subsidiaries of G2G.

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 consolidated financial statements were approved by the Company’s Board of Directors (the “Board”) on July 5, 2023.

Going Concern Assessment

These 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 December 31, 2022, the Company has incurred losses and presently has an accumulated deficit of $46,023,728 and for the year ended December 31, 2022, the Company incurred a net loss of $14,173,168 and net cash used in operations was $5,259,694. 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.

1. BACKGROUND AND OPERATIONS (Continued)

Going Concern Assessment (Continued)

The ongoing challenges of expanding revenue growth to sufficient levels that will generate positive working capital from operations, coupled with financing and operating uncertainties, form a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. In March 2023, the Company raised capital of $3,927,300 through a private placement. The accompanying 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

The Company's consolidated financial statements have been prepared in accordance with and using accounting policies in compliance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") as issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee ("IFRIC"), effective for the Company's reporting for the years ended December 31, 2022 and 2021.

b) Basis of Presentation

The 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.

c) Basis of Consolidation

The consolidated financial statements for the years ended December 31, 2022 and 2021 comprise 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Basis of Consolidation (Continued)

Non-controlling Interest

For the years ended December 31, 2022 and 2021, non-controlling interest in the consolidated statements of 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 consolidated statements of financial position reflect the non-controlling ownership's equity interest in the entity.

d) Revenue Recognition

IFRS 15 applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps: i) identify the contract with a customer; ii) identify the performance obligations in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; and v) recognize revenue when (or as) the entity satisfies a performance obligation.

The Company's revenue is generated from the sale of flame-retardant polyphosphate polymers ("polymers").

The Company recognizes revenue from sales of polymers at a point in time when the performance obligations met upon transfer of control to the customer. The Company recognizes revenue upon delivery to the customers' carrier, which is typically when control of the underlying product is transferred to the customer and all other revenue recognition criteria have been met. Due to the highly specialized nature of the products, returns are infrequent, and therefore the Company does not estimate amounts for sales returns and allowances.

Taxes billed and collected from customers are excluded from revenue and held as a liability and remitted to the appropriate jurisdiction.

The Company provides customers with a general right of return. The Company accounts for the right of return as variable consideration. The Company records a liability for the amount the Company expects to return to the customer and a contract asset for the goods the Company expects returned from the customer. There were no contract assets and liabilities for right of return at December 31, 2022 and 2021.

e) Government Grants

Government grants are recognized when there is reasonable assurance that the Company will comply with the relevant conditions and the grant will be received or approved. Government grants related to income are presented as an offset against the related expenditure and government grants that are awarded as incentives with no ongoing performance obligations to the Company are recognized as income in the period in which the grant is received. There were no governmental grants in 2022 or 2021.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Foreign Currency Translation

Monetary assets and liabilities denominated in currencies other than functional currencies are translated into functional currencies at the rate of exchange in effect at the consolidated statements of financial position date. Nonmonetary assets and liabilities are translated at the historical rates. Revenues and expenses are translated at the transaction date exchange rate. Foreign currency gains and losses resulting from translation are reflected in net loss for the period. The assets and liabilities of entities with a functional currency that differs from the presentation currency are translated to the presentation currency as follows:

- Assets and liabilities are translated at the closing rate on the consolidated statements of financial position date;
- Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rate on the dates of the transactions) for the year or period presented;
- Equity transactions are translated using the exchange rate at the date of the transaction; and
- All resulting exchange differences are recognized as a separate component of equity as a reserve for foreign currency translation.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the foreign currency translation reserve.

g) Plant and Equipment

Plant and Equipment consist of a building and related equipment and are recorded at cost and depreciated over the assets' estimated useful lives using the straight-line method. Major additions are capitalized, while repair and maintenance costs are expensed as incurred.

Interest cost incurred on funds used to construct the manufacturing plant and equipment are capitalized and amortized on a straight-line basis over the asset's estimated useful life once the asset has been placed in service.

The useful lives are estimated to range from 3 to 40 years.

Plant and equipment	10 to 40 years
Computers	3 to 5 years
Furniture and fixtures	5 to 10 years

The depreciation period is reviewed at least at each year-end. Changes in expected useful lives are treated as changes in accounting estimates.

Depreciation is not recorded on capital work-in-progress until construction and installation are completed and the asset is ready for its intended use.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Intangible Assets

Patents

Intangible assets purchased, including patents, are measured at cost less accumulated amortization and accumulated impairment, if any.

Amortization is provided on a straight-line basis over the estimated useful lives of the patent assets per details below:

Patents	20 years

The amortization period for intangible assets with finite useful lives is reviewed at least at each year-end. Changes in expected useful lives are treated as changes in accounting estimates.

Internally Generated Intangible Assets - Capitalized Development Costs

Research costs are charged to the consolidated statements of loss and comprehensive loss in the year in which they are incurred.

Development activities involve a plan or design for the productions of new or substantially improved products and processes. Development expenditures are capitalized 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. The costs of internally generated intangible assets include all directly attributed costs necessary to create, produce and prepare the intangible asset to be capable of operating in the manner as intended by management. Internally developed, internal-use software includes directly attributed salaries and other employment costs. Capitalized development expenditures are measured at cost less accumulated amortization and accumulated impairment losses.

i) Impairment of non-financial assets

At each consolidated statements of financial position date, the Company assesses whether there is indication that any plant and equipment and intangible assets with finite lives may be impaired. If any such impairment exists, the recoverable amount of the asset is estimated to determine the extent of impairment, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use, are tested for impairment annually at each consolidated statements of financial position date, or earlier, if there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Impairment of non-financial assets (Continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statements of loss and comprehensive loss.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

j) Inventories

Inventory is measured at the lower of cost and net realizable value. The direct and indirect costs of inventory include subsequent manufacturing costs such as materials, labour and depreciation expense on plant and equipment involved in manufacturing process. All direct and indirect costs related to inventory are capitalized as they are incurred, and they are subsequently recorded within ‘cost of goods sold’ on the consolidated statements of loss and comprehensive loss at the time the product is sold. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The future realization of these inventories may be affected by market driven changes that may reduce future selling prices. A change to these assumptions could impact the Company’s inventory valuation and profit or loss. Products for resale and component parts are valued at the lower of cost and net realizable value, with cost determined using the weighted average cost basis. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventories are written down to net realizable value.

k) Right of use assets and lease liability

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is depreciated on a straight-line method over the shorter of the lease term or economic useful life. In addition, the right-of-use asset is reduced for impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Right of use assets and lease liability (Continued)

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed) and variable lease payments that are based on an index or rate. Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset. Variable lease payments that are not based on an index or a rate are not included in the measurement of both the lease liabilities and right-of-use assets. The related liabilities are recognized as an expense in the period in which the conditions that trigger those payments occur and are recorded as general and administrative expenses in the consolidated statements of loss and comprehensive loss.

l) Operating Segments

The Company defines an operating segment on the same basis that it uses to evaluate performance internally and to allocate resources. The Company has determined that there is one operating segment. Therefore, the Company reports as one reportable segment.

m) Income Taxes

Tax expense recognized in profit or loss comprises the sum of current and deferred taxes not recognized in the consolidated statements of loss and comprehensive loss or directly in equity.

i. Current tax - Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the consolidated statements of financial position.

ii. Deferred tax - Deferred tax is recognized using the liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, the deferred tax is not recognized if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled.

    A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

    Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss except where they related to items that are recognized in other comprehensive income or directly in equity, in which case, related deferred tax is also recognized in other comprehensive income or equity, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Income Taxes

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

n) Share-Based Compensation

The Company operates equity settled share-based remuneration plans for its eligible directors, officers, employees and consultants. All goods and services received in exchange for the grant of any share-based payments are measured at their fair value unless the fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods and services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For transactions with employees and others providing similar services, the Company measures the fair value of the services by reference to the fair value of the equity instruments granted.

Equity settled share-based payments under share-based payment plans are ultimately recognized as an expense in the statements of loss and comprehensive loss with a corresponding credit to contributed surplus, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from the previous estimate. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

o) Financial Instruments

a) Financial assets

i. Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

ii. Classification and subsequent measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Financial Instruments (Continued)

Financial assets are classified as follows:

- Amortized cost - assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of trade receivables.

- Fair value through other comprehensive income - assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.

- Mandatorily at fair value through profit or loss - assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss are comprised of cash.

- Designated at fair value through profit or loss – on initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss.

Business model assessment

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed, and information is provided to management. Information considered in this assessment includes stated policies and objectives.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Financial Instruments (Continued)

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

iii. Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for accounts and other receivables. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether there has been a significant increase in credit risk since initial recognition or a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants.

For financial assets with significant increase in credit risk since initial recognition and financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses. For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the consolidated statements of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Financial Instruments (Continued)

Trade receivable and expected credit loss

Trade receivable are recorded at the invoiced amount and do not bear interest. Expected credit loss reflects the Company's estimate of amounts in its existing accounts receivable that may not be collected due to customer claims or customer inability or unwillingness to pay. Collectability of trade receivables is reviewed on an ongoing basis. The expected credit loss is determined based on a combination of factors, including the Company's risk assessment regarding the credit worthiness of its customers, historical collection experience and length of time the receivables are past due. Account balances are charged off against the allowance when the Company believes it is probable the receivable will not be recovered.

iv. Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

b) Financial liabilities

i. Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

ii. Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

iii. Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Financial Instruments (Continued)

c) Summary of the Company's classification and measurements of financial assets and liabilities:

	Classification	Measurement
Cash	FVTPL	Fair value
Trade receivables	Amortized cost	Amortized cost
Accounts payable	Amortized cost	Amortized cost
Notes payable	Amortized cost	Amortized cost
Convertible debentures	Amortized cost	Amortized cost
Convertible debenture- derivative liabilities	FVTPL	Fair value
Common stock warrant liability	FVTPL	Fair value

p) Cash and Cash Equivalents

Cash and cash equivalents are short-term (three months or less from the date of acquisition), highly liquid investments that are readily convertible into cash and which are subject to an insignificant risk of changes in value.

q) Convertible Debentures

Convertible debentures are financial instruments which contain a separate financial liability and equity instrument. These financial instruments are accounted for separately dependent on the nature of their components. The identification of such components embedded within a convertible debenture requires significant judgement given that it is based on the interpretation of the substance of the contractual arrangement. The convertible notes are considered to contain embedded derivatives. The embedded derivatives were measured at fair value upon initial recognition using the Black-Scholes valuation model and were separated from the debt component of the notes. The debt component of the notes was measured at residual value upon initial recognition. Subsequent to initial recognition, the embedded derivative components are re-measured at fair value at each reporting date while the debt components are accreted to the face value of the note using the effective interest rate through periodic charges to finance expense over the term of the note.

r) Provisions and Contingent Liabilities

Provisions, where applicable, are recognized separately when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management’s best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

s) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. The proceeds from the exercise of stock options or warrants together with amounts previously recorded in reserves over the vesting periods are recorded as share capital. Contributed surplus includes amounts in connection with stock-based compensation and the value of expired options and warrants. Income tax relating to transaction costs of an equity transaction are recognized directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) Loss per Share

Basic loss per share is calculated by dividing the net loss attributable to shareholders by the weighted average number of common shares outstanding during each of the years presented. Contingently issuable shares (including shares held in escrow) are not considered outstanding common shares and consequently are not included in the loss per share calculations.

Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. In a period of losses, the options are excluded in the determination of dilutive net loss per share because their effect is antidilutive.

u) Accounting Standards not yet effective

i. Classification of Liabilities as Current or Non-current (Amendments to IAS 1, Presentation of Financial Statements)

On January 23, 2020, an amendment was issued to IAS 1 to address inconsistencies with how entities apply the standards over classification of current and non-current liabilities. The amendment serves to address whether, in the statements of financial position, debt and other liabilities with an uncertain settlement should be classified as current or non-current. This amendment is effective on January 1, 2023. The Company intends to adopt this amendment in its consolidated financial statement for the annual period beginning January 1, 2024. The Company does not expect this amendment to have a material effect on the Company's consolidated financial statements.

ii. Non-current Liabilities with Covenants (Amendments to IAS 1)

The amendments to IAS 1 specify that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non- current liabilities with covenants could become repayable within twelve months. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and are to be applied retrospectively. Upon adoption the Company's convertible debentures may be reclassified as current liabilities retrospectively.

iii. Disclosure of Accounting Policies (Amendments to IAS 1)

The amendments to IAS 1 require an entity to disclose its material accounting policies instead of its significant accounting policies. The amendments clarify that accounting policy information is material if users of an entity's consolidated financial statements would need it to understand other material information in the financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied prospectively. The adoption of this standard did not have a material effect on the Company's consolidated financial statements.

iv. Deferred Tax on Assets and Liabilities Arising from Lease and Decommissioning Obligation Transactions (Amendments to IAS 12, Income Taxes)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

u) **Accounting Standards not yet effective** (Continued)

The amendments to IAS 12 provide clarifications in accounting for deferred tax on certain transactions such as leases and decommissioning obligations. The amendments clarify that the initial recognition exemption does not apply to transactions such as leases and decommissioning obligations. As a result, entities may need to recognize both a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied to transactions that occur on or after the beginning of the earliest comparative period presented. The adoption of this standard did not have a material effect on the Company's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESIMATES AND ASSUMPTIONS

The preparation of 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 amounts of assets, liabilities, revenue and. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods affected.

Significant judgements, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements relate to, but are not limited to the following:

Going Concern

Judgement is required in determining if disclosure of a material uncertainty related to events or conditions which might cast significant doubt on the Company's ability to continue as going concern is required in the notes to the consolidated financial statements. This judgement is dependent on management's expectations of revenue, future net cash flows, existing borrowing capacity, availability of overdraft facility and financial obligations due within the next 12 months. During the year ended December 31, 2022, the Company had a loss from operations and negative cash flows from operating activities. To the extent that the Company has negative operating cash flows in future periods, the Company may need to deploy a portion of its existing working capital to fund such negative cash flow. Based on management's expectations of revenue, future net cash flows, existing borrowing capacity, availability of overdraft facility and financial obligations due within the next 12 months, management has applied judgement that there are material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTIES (Continued)

Expected credit loss

Management determines the expected credit loss by evaluating individual receivable balances and considering the counterparty's financial condition and current economic conditions. Accounts and other receivables are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. All accounts and other receivables are expected to be collected within one year of the consolidated statements of financial position date.

Share-based payments

Valuation of stock-based compensation and warrants requires management to make estimates regarding the inputs for option pricing models, such as the expected life of the option, the volatility of the Company's stock price, the vesting period of the option and the risk-free interest rate are used. Actual results could differ from those estimates. The estimates are considered for each new grant of stock options or warrants.

Estimated useful lives and depreciation of plant and equipment

Depreciation of property, plant and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgement. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Fair value of financial instruments

The individual fair values attributed to the different components of a financing transaction, and/or derivative financial instruments, are determined using valuation techniques. The Company uses judgement to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgement and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

Determination of cash-generating units

The Company's assets are aggregated into CGU's. CGU's are based on an assessment of the unit's ability to generate independent cash inflows. The determination of these CGU's is based on management's judgement in regard several factors such as shared infrastructure, geographical proximity, exposure to market risk and materiality.

Taxes

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTIES (Continued)

Impairment of long-lived assets

The Company evaluates the recoverability of long-lived assets, including property and equipment, right of use assets, and definite life intangible assets, whether events or changes in circumstances indicate that the carrying value of the asset, or asset group, may not be recoverable. When the Company determines that the carrying value of the long-lived asset may not be recoverable based upon the existence of one or more of the indicators, the assets are assessed for impairment based on the estimate of future discounted cash flows expected to result from the use of the asset and its eventual disposition. If the carrying value of an asset exceeds its estimated future discounted cash flows, an impairment loss is recorded for the excess of the asset's carrying value over its fair value. Management judgement is required in the determination of indicators of impairment, as well as the estimation of future undiscounted cash flows, and as necessary, the fair value of those assets or asset groups in which indicators of impairment have been identified.

Consolidation

Judgement is applied in assessing whether the Company exercises control and has significant influence over entities in which the Company directly or indirectly owns an interest. The Company has control when it has the power over the subsidiary, has exposure or rights to variable returns, and has the ability to use its power to affect the returns. Significant influence is defined as the power to participate in the financial and operating decisions of the subsidiaries. Where the Company is determined to have control, these entities are consolidated. Additionally, judgement is applied in determining the date on which control was obtained.

Inventories

The net realizable value of inventories represents the estimated selling price for inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. The determination of net realizable value requires significant judgement, including consideration of factors such as shrinkage, the aging of and future demand for inventory, expected future selling price the Company expects to realize by selling the inventory, and the contractual arrangements with customers. Reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecasts and net realizable value. The estimates are judgmental in nature and are made at a point in time, using available information, expected business plans, and expected market conditions. As a result, the actual amount received on sale could differ from the estimated value of inventory. Periodic reviews are performed on the inventory balance. The impact of changes in inventory reserves is reflected in cost of goods sold.

4. REVERSE ACQUISITION

On November 2, 2021, G2G, FRX Polymers, Inc. and newly incorporated subsidiaries of G2G and FRX Polymers, Inc. entered into a Business Combination Agreement ("Agreement") as was subsequently amended on February 1, 2022 and April 29, 2022. Pursuant to the Agreement, G2G indirectly acquired all of the issued and outstanding FRX Polymers, Inc.'s common shares through a reverse take-over transaction. The transaction was completed on May 16, 2022.

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 consolidated financial statements are those of FRX Polymers, Inc.

4. REVERSE ACQUISITION (Continued)

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.

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.

(Expressed in United States Dollars)

4. REVERSE ACQUISITION (Continued)

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

	December 31, 2022	**December 31, 2021**
Trade receivables	$ 832,733	$ 2,388,395
Allowance for doubtful accounts	(370,314)	(118,380)
	$ 462,419	$ 2,270,015

6. INVENTORIES, NET

Inventories consist of the following at:

	December 31, 2022	**December 31, 2021**
Finished goods	$ 2,700,210	$ 946,792
Raw materials	629,259	472,157
	$ 3,329,469	$ 1,418,949

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 $479,000 related to finished goods and raw materials at December 31, 2021. There was no change to the reserve for the year ended December 31, 2022.

During the year ended December 31, 2022, the total inventory expensed through cost of goods sold was $2,779,729.

(Expressed in United States Dollars)

7. OTHER CURRENT ASSETS

Other current assets consist of the following at:

	December 31, 2022	December 31, 2021
Prepaid expenses	$ 153,267	$ 227,641
Taxes recoverable and dues from government	44,969	76,199
	$ 198,236	$ 303,840

8. PLANT AND EQUIPMENT, NET

Plant and equipment consist of the following at December 31:

	Building	Equipment	Leasehold Improve-ments	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

(Expressed in United States Dollars)

8. PLANT AND EQUIPMENT, NET (Continued)

	Building	Equipment	Leasehold Improve-ments	Total
Cost, January 1, 2021	$ 16,867,214	$ 13,730,982	$ 17,000	$ 30,615,196
Additions	5,727	10,247	-	15,974
Currency translation	(1,328,042)	(963,028)	-	(2,291,070)
Cost, December 31, 2021	$ 15,544,899	$ 12,778,201	$ 17,000	$ 28,340,100
Accumulated Depreciation, January 1, 2021	$ 2,961,157	$ 5,815,491	$ 17,000	$ 8,793,648
Depreciation	418,269	587,386	-	1,005,655
Currency translation	(251,861)	(350,023)	-	(601,884)
Accumulated Depreciation, December 31, 2021	$ 3,127,565	$ 6,052,854	$ 17,000	$ 9,197,419
Net Book Value, December 31, 2021	$ 12,417,334	$ 6,725,347	$ -	$ 19,142,681

Business assets, including building and equipment with a carrying amount of $17,234,277 (2021: $19,142,681) are subject to a first charge to secure the Company's bank loans.

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)

Right-of-Use Assets (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 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, 2021	$ -	$ -	$ -	$ 579,836	$ 579,836
Additions	21,896	461,366	30,958	-	514,220
Modification	-	-	-	(96,304)	(96,304)
Currency translation	-	-	-	(39,666)	(39,666)
Balance, December 31, 2022	$ 21,896	$ 461,366	$ 30,958	$ 443,866	$ 958,086
Accumulated amortization					
Balance, December 31, 2021	$ -	$ -	$ -	$ 69,547	$ 69,547
Additions	3,284	92,274	4,128	14,900	114,586
Modification	-	-	-	(25,018)	(25,018)
Currency translation	-	-	-	(44,529)	(44,529)
Balance, December 31, 2022	$ 3,284	$ 92,274	$ 4,128	$ 14,900	$ 114,586
Carrying amount					
December 31, 2021	$ -	$ -	$ -	$ 510,289	$ 510,289
December 31, 2022	**$ 18,612**	**$ 369,092**	**$ 26,830**	**$ 428,966**	**$ 843,500**

Lease Liabilities

	December 31, 2022
Balance, beginning of the year	$ 540,131
Additions	514,220
Modification	(10,319)
Lease payments	(154,272)
Interest expense	84,411
Effect of movement in exchange rates	(86,023)
Balance, end of the year	$ 888,148
Current portion of lease liability	$ 120,870
Long-term portion of lease liability	$ 767,278

(Expressed in United States Dollars)

9. LEASES (Continued)

Lease Liabilities (Continued)

Payments related to short-term leases were expensed on a straight-line basis. The expenses related to these payments not included in the lease liabilities was $44,730 for the year ended December 31, 2022 (2021 - $70,000).

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	$	159,289
2024		165,771
2025		178,759
2026		184,753
2027		43,484
2028 – 2033		1,283,935
	$	2,015,991

10. PATENTS, NET

Patents consist of the following at:

		December 31, 2022		December 31, 2021
Beginning cost	$	814,815	$	851,852
Write down		(74,074)		(37,037)
Ending cost		740,741		814,815
Beginning accumulated amortization		398,439		378,069
Amortization for the year to date		50,000		42,592
Write down		(38,253)		(22,222)
Ending accumulated amortization		410,186		398,439
Net carrying amount	$	330,555	$	416,376

During 2022 and 2021, the Company abandoned two and one patents, respectively, and recorded a patent impairment charge of $35,821 and $14,815, respectively.

(Expressed in United States Dollars)

11. INTANGIBLE ASSETS, NET

Capitalized development costs consist of the following at:

	December 31, 2022	December 31, 2021
Beginning cost	$ 397,255	$ 291,766
Additions	-	105,489
Ending cost	397,255	397,255
Beginning accumulated amortization	10,423	6,007
Amortization for the year to date	4,416	4,416
Ending accumulated amortization	14,839	10,423
Net carrying amount	$ 382,416	$ 386,832

12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

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

	December 31, 2022	December 31, 2021
Accrued vacation	$ 96,862	$ 160,887
Accrued interest	-	28,790
Other	449,113	630,312
	$ 545,975	$ 819,989

13. NOTES PAYABLE

Notes payable consists of:

	December 31, 2022	December 31, 2021
Credit line in the amount of €1,500,000 (a)(i)	$ 1,604,700	$ 1,695,600
Credit line in the amount of €7,505,003 (a)(ii)	7,965,176	8,869,277
Loan Agreement (b)	2,059,880	2,109,323
Borrowing Agreement (c)	964,120	1,099,481
	12,593,876	13,773,681
Less - current portion	(9,761,674)	(1,269,904)
Notes payable, net of current portion	$ 2,832,202	$ 12,503,777

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.

13. NOTES PAYABLE (Continued)

In April 2021, the terms of the credit facility agreement were amended with total available credit amount fixed at $11,484,006 (€9,546,140) (including a commitment credit line of $240,600 (€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 December 31, 2022 and as of the date these consolidated financial statements have been approved by the Board of Directors. Refer to Note 28 for the waiver received from the Bank subsequent to year end.

i. Up to $1,604,700 (€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 December 31, 2022 is $1,604,700 (€1,500,000) (2021- $1,695,600).

ii. Up to $8,028,852 (€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 December 31, 2022 is $7,965,176 (€7,445,481) (2021- $8,869,277).

    During the year ended December 31, 2022, the Company recorded interest expense of $574,853 related to these credit lines in its consolidated statements of loss and comprehensive loss (2021- $602,791).

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 $3,853,421 (€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 year ended December 31, 2022, the Company recorded interest expense of $580,605 related to this Guarantee Agreement in its consolidated statements of loss and comprehensive loss (2021- $602,791).

13. NOTES PAYABLE (Continued)

b) $4,707,120 (€4,400,000) 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.

The Company accretes the carrying amount of the subordinated loan using original effective interest rate of 12%. During the year ended December 31, 2022, the Company recorded accretion expense of $62,660 in its consolidated statements of loss and comprehensive loss (2021- $137,468). The principal amount outstanding as at December 31, 2022 is $4,707,120 (€4,400,000) (2021- $4,973,760, €4,400,000). The carrying amount of the subordinated loan as at December 31, 2022 is $2,059,880 (2021- $2,109,323).

c) $933,223 (€870,000) borrowing agreement with an outside party. Interest accrues at a rate of 5% annually, calculated on a 365-day basis. 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 year ended December 31, 2022, the Company recorded interest expense of $49,015 in its consolidated statements of loss and comprehensive loss (2021- $62,118) and accrued interest of $30,897 as at December 31, 2022. The principal amount including accrued interest outstanding as at December 31, 2022 is $964,120 (2021 - $1,099,481).

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.

Optional Conversion

Upon written notice to the Company, each investor, on behalf of itself and no other investor, had the right to automatically convert the notes into that number of shares of FRX Polymers, Inc. Series 1 Basic Common Stock determined by dividing the original principal plus accrued interest of the notes divided by the Conversion Price as defined in the agreement (the “Optional Conversion”).

14. CONVERTIBLE NOTES PAYABLE (Continued)

If any note remains outstanding at the next equity financing, upon written notice to the Company, each investor, on behalf of itself and no other investor, had the right to automatically convert the notes into that number of shares of the Company's new securities determined by dividing the original principal plus accrued interest of the notes divided by 60% of the next round price (the "Financing Conversion Price").

During the year ended December 31, 2022, the Company recorded interest expense of $231,649 (2021 - $399,381) 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) 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 (2021- $1,436,901) 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.

15. CONVERTIBLE DEBENTURES (Continued)

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 (2021- $93,747) 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.

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 transaction (Note 4), the Company adopted a new 10% rolling stock option plan.

(Expressed in United States Dollars)

16. SHARE-BASED COMPENSATION (Continued)

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, 2020	47,991	$ 20.51	-
Granted	1,423,033	$ 0.24	9.75
Forfeited	(47,991)	$ 20.51	-
Outstanding at December 31, 2021	1,423,033	$ 0.24	9.75
Granted	-		
Forfeited	-		
Outstanding at December 31, 2022	1,423,033	$ 0.24	8.75
Vested and exercisable at December 31, 2022	1,389,430		

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 $174,809 in share-based compensation expense related to the stock options during the year ended December 31, 2022. There was no share-based compensation expense recorded for the year ended December 31, 2021 as the options that were outstanding at the time were ultimately terminated in 2021. During the year, the Company entered into an investor relations service agreement with Paradox Public Relations Inc. As part of the agreement, the Company is required to grant the service provider 800,000 stock options to acquire 800,000 common shares at an exercise price of $0.40, once regulatory approval is received. The Company has accrued $26,046 in share-based compensation during the year ended December 31, 2022, for services provided.

The fair value of stock options were estimated on the service start date 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 are held in escrow as at December 31, 2022.

17. SHARE CAPITAL (Continued)

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 $4,666,357 (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 (CA $1.3) 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) 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.

17. SHARE CAPITAL (Continued)

Common shares (Continued)

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.

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 the 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 $1,168,098 (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 $343,012 respectively, net of cash transaction fees of $78,594 which were deducted $53,977 and $24,617 from common shares and warrants respectively.

(Expressed in United States Dollars)

17. SHARE CAPITAL (Continued)

Common shares (Continued)

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.

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. During the year ended December 31, 2022, the Company recognized share-based compensation of $533,666 (2021- $409,145) 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		373,829
Outstanding - December 31, 2022	**10,083,361**	**$**	**1,074,929**

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.

17. SHARE CAPITAL (Continued)

Warrants (Continued)

b) As detailed in the RTO Concurrent financing November- December 2022 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 December 31, 2022 is $0.58 and the weighted average expected life is 2.03 years.

18. INCOME TAXES

No provision for Federal or state income taxes has been recorded for the year ended December 31 2022, 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.

(Expressed in United States Dollars)

18. INCOME TAXES (Continued)

The reconciliation of Belgium statutory income tax rate of 25% to the effective tax rate is as follows:

		2022
Net income/(Loss) before recovery of income taxes	$	(14,173,168)
Expected income tax (recovery)/expense		(3,543,292)
Difference in foreign tax rates		(239,017)
Fair value of warrants		1,228,830
Other non-deductible expenses		466,588
Losses not recognized for tax purposes		42,368
Non-deductible listing expense		371,677
Change in tax benefits not recognized		1,672,846
Income tax (recovery)/expense	$	-

Deferred Tax

The following table summarizes the components of deferred tax:

		2022
Deferred tax assets		
Lease liability	$	112,467
Losses		3,175
Deferred tax liabilities		
Fixed assets		(3,175)
ROU assets		(112,467)
Net deferred tax asset	$	-

(Expressed in United States Dollars)

18. INCOME TAXES (Continued)

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amounts of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

		2022
Non-deductible reserves	$	106,482
Other		101,281
Intangible assets		3,795,486
Tax credits		1,090,411
Share issuance costs		574,939
Non-capital losses carried forward-Canada		799,252
Non-capital losses carried forward-United States		50,394,653
Non -capital losses carried forward-Belgium		47,908,706
Non-capital losses carried forward-China		-
	$	104,771,210

Share issuance and financing costs will be fully amortized in 2026.

The non-capital loss carry forwards will expire as noted in the table below.

Year of Expiry		US Federal		Canada		Belgium
2027	$	-	$	-	$	-
2028		90,365		-		-
2029		1,274,191		-		-
2030		2,776,123		-		-
2031		5,159,015		-		-
2032		5,742,167		-		-
2033		5,172,955		-		-
2034		4,034,276		-		-
2035		2,290,247		-		-
2036		4,173,486		-		-
2037		3,315,678		-		-
2038		5,515,336		-		-
2040		-		-		-
2041		-		115,437		-
2042		-		683,815		-
Indefinite		10,850,814		-		47,908,706
	$	50,394,653	$	799,252	$	47,908,706

18. INCOME TAXES (Continued)

United States tax classification of the Resulting Issuer

The Resulting Issuer, which is and will continue to be a Canadian corporation, generally would be classified as a non-United States corporation under general rules of United States federal income taxation. Section 7874 of the U.S. Tax Code, however, contains rules that can cause a non- United States corporation to be taxed as a United States corporation for United States federal income tax purposes. Under section 7874 of the U.S. Tax Code, a corporation created or organized outside the United States. (i.e., a non-United States corporation) will nevertheless be treated as a United States corporation for United States federal income tax purposes (such treatment is referred to as an "Inversion") if each of the following three conditions are met (i) the non-United States corporation acquires, directly or indirectly, or is treated as acquiring under applicable United States Treasury Regulations, substantially all of the assets held, directly or indirectly, by a United States corporation, (ii) after the acquisition, the former stockholders of the acquired United States corporation hold at least 80% (by vote or value) of the shares of the non-United States corporation by reason of holding shares of the United States acquired corporation, and (iii) after the acquisition, the non-United States corporation's expanded affiliated group does not have substantial business activities in the non-United States corporation's country of organization or incorporation when compared to the expanded affiliated group's total business activities (clauses (i) – (iii), collectively, the "Inversion Conditions"). For this purpose, "expanded affiliated group" means a group of corporations where (i) the non-United States corporation owns stock representing more than 50% of the vote and value of at least one member of the expanded affiliated group, and (ii) stock representing more than 50% of the vote and value of each member is owned by other members of the group. The definition of an "expanded affiliated group" includes partnerships where one or more members of the expanded affiliated group own more than 50% (by vote and value) of the interests of the partnership.

The Resulting Issuer intends to be treated as a United States corporation for United States federal income tax purposes under section 7874 of the U.S. Tax Code and is expected to be subject to United States federal income tax on its worldwide income. However, for Canadian tax purposes, the Resulting Issuer is expected, regardless of any application of section 7874 of the U.S. Tax Code, to be treated as a taxable Canadian corporation (as defined in the ITA) for Canadian income tax purposes. As a result, the Resulting Issuer will be subject to taxation both in Canada and the United States which could have a material adverse effect on its financial condition and results of operations.

It is unlikely that the Resulting Issuer will pay any dividends on the common shares in the foreseeable future. However, dividends received by shareholders who are residents of Canada for purpose of the ITA will be subject to U.S. withholding tax. Any such dividends may not qualify for a reduced rate of withholding tax under the Canada-United States tax treaty. In addition, a foreign tax credit or a deduction in respect of foreign taxes may not be available.

(Expressed in United States Dollars)

18. INCOME TAXES (Continued)

United States tax classification of the Resulting Issuer (Continued)

Dividends received by U.S. shareholders will not be subject to U.S. withholding tax but will be subject to Canadian withholding tax. Any such dividends may not qualify for a reduced Canadian withholding tax rate under the Canada-United States tax treaty. Dividends paid by the Resulting Issuer will be characterized as U.S. source income for purposes of the foreign tax credit rules under the U.S. Tax Code. Accordingly, U.S. shareholders generally will not be able to claim a credit for any Canadian tax withheld unless, depending on the circumstances, they have an excess foreign tax credit limitation due to other foreign source income that is subject to a low or zero rate of foreign tax.

Dividends received by shareholders that are neither Canadian nor U.S. shareholders will be subject to U.S. withholding tax and will also be subject to Canadian withholding tax. These dividends may not qualify for a reduced rate of U.S. or Canadian withholding tax under any income tax treaty otherwise applicable to a shareholder of the Resulting Issuer, subject to examination of the relevant treaty.

Because the common shares will be treated as shares of a U.S. domestic corporation, the U.S. gift, estate and generation-skipping transfer tax rules generally apply to a non-U.S. shareholder of common shares.

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.

	2022	2021
Net loss	$ (14,173,168)	$ (8,731,537)
Weighted-average number of common shares outstanding	61,645,217	26,844,048
Loss per share: basic and diluted	$ (0.23)	$ (0.33)

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 year ended December 31, 2022 and 2021, 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.

The Company's objective of managing capital, comprising shareholder's equity of, the $6,551,492 is to ensure its continued ability to operate as a going concern. The Company manages its capital structure and makes changes to it based on economic conditions will. With approval from the board, management will adjust its capital structure through the issue of new shares, convertible debentures, debt or other activities deemed appropriate under the specific circumstances. Management and the Board review the Company's capital management approach on an ongoing basis and believe this approach, given the relative size of the Company is reasonable. The Company is subject to externally imposed capital requirements on its notes payable. In order to achieve this overall objective, the Company's capital management, among other things, aims to ensure that it meets financial covenants attached to these interest-bearing notes payable. Breaches in meeting the financial covenants would permit the bank to immediately call notes payable.

The Company's strategy with respect to capital risk management has not changed since the year ended December 31, 2021.

21. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, trade receivables, account payables, notes payable, convertible debentures, convertible debentures – derivative liabilities and common stock warrant liabilities.

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.

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). There were no invested assets as at December 31, 2022 and 2021.

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 statements of financial position at December 31, 2022 and December 31, 2021.

21. FINANCIAL INSTRUMENTS (Continued)

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

(Expressed in United States Dollars)

21. FINANCIAL INSTRUMENTS (Continued)

Fair value (Continued)

	At December 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash	$453,359	$ -	$ -	$ 453,359
Common Stock warrant	-	-	(3,516,837)	(3,516,837)
Derivative liability	-	-	(902,210)	(902,210)
	$453,359	$ -	$(4,419,047)	$(3,965,688)

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 expected credit loss account is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. Three customers represented approximately 88% and 53% of the outstanding trades receivable balance as of December 31, 2022 and December 31, 2021, respectively. An expected credit loss account is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

The aging of the Company's trade receivables as at December 31, 2022 and December 31, 2021 were as follows:

	December 31, 2022	December 31, 2021
1 – 30 days	$ 167,537	$ 2,032,939
31 – 60 days	7,583	237,076
61 – 90 days	3,817	-
Over 91 days	283,482	-
Balance	$ 462,419	$ 2,270,015

A continuity of the expected credit loss accounts is as follows:

	2022	2021
Beginning balance	$ 118,380	$ 106,320
Foreign exchange loss (gain)	(2,394)	1,895
Allowance made during the year	254,328	10,165
Ending balance	$ 370,314	$ 118,380

21. FINANCIAL INSTRUMENTS (Continued)

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 December 31, 2022 and 2021, 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 December 31, 2022, including cash, other current assets, accounts payable, accrued expenses and other liabilities would not have a material impact on the Company's financial position.

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 December 31, 2022, including cash, trade receivables, inventories, other current assets, , accounts payable, accrued liabilities and other current liabilities, and notes payable would result in an increase or decrease of approximately $125,032 in the net loss for the year ended December 31, 2022 (2021 - $92,080).

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 loss would be impacted by $38,138 and $26,090 at December 31, 2022 and December 31, 2021, 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.

(Expressed in United States Dollars)

21. FINANCIAL INSTRUMENTS (Continued)

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. The Company assessed the concentration risk with respect to refinancing its debt and concluded it to be low. The Company has also received a waiver form the financial institution subsequent to year end as it relates to the current portion of the notes payable. The Company has access to a sufficient variety of sources of funding to meet its current obligations (Note 2).

	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	5+ years
Accounts payable	$ 3,345,832	$ 3,345,832	$ 3,345,832	$ -	$ -	$ -
Accrued expenses and other current liabilities	545,975	545,975	545,975	-	-	-
Lease liability	888,148	2,015,991	159,289	165,771	406,996	1,283,935
Notes payable	12,593,876	12,593,876	9,761,674	1,651,994	1,180,208	-
	$ 17,373,831	$ 18,501,674	$ 13,812,770	$ 1,817,765	$ 1,587,204	$ 1,283,935

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 year ended December 31, 2022, and the year ended December 31, 2021, consisted of foreign currency translation adjustments. Accumulated other comprehensive loss consisted of the following at:

	December 31, 2022	December 31, 2021
Beginning accumulated other comprehensive loss	$ (337,225)	$ (503,148)
Foreign currency translation adjustment	(622,668)	165,923
Ending accumulated other comprehensive loss	$ (959,893)	$ (337,225)

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 $24,193 and $25,000 for the years ended December 31, 2022 and 2021, respectively. These amounts are reflected in administrative expenses on the consolidated statements of loss and comprehensive loss.

(Expressed in United States Dollars)

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 years ended December 31, 2022 and 2021, administrative expenses incurred under this agreement totaled approximately $42,000 and $36,000, respectively, and are recorded in operating expenses in the accompanying consolidated statements of 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 year ended December 31, 2022, consulting expenses incurred under this agreement totaled approximately $190,000 (2021 - $27,000) and are recorded in administrative expenses in the accompanying consolidated statements of loss and comprehensive loss. Included in accounts payable is an amount of $35,108 (2021 - $nil) in the accompanying consolidated statements of financial position as of December 31, 2022 and 2021.

Compensation of key management personnel for the Company for the year ended December 31:

	2022	2021
Salaries	$ 513,666	$ 405,420
Postemployment, health and other benefits	67,337	34,872
Other professional services	-	215,982
Director and employee stock compensation	550,305	543,165
Total	$ 1,131,308	$ 1,199,439

The amounts disclosed in the above table are the amounts recognized as an expense during the reporting period related to key management personnel. These amounts have been included in administrative expense in the consolidated statements of loss and comprehensive loss.

25. OPERATING EXPENSES

Included within cost of goods sold for the year ended December 31, 2022, were direct production staff costs amounting to $55,380 and depreciation and amortization charges amounting to $65,736).

The Company's administrative expenses for the years ended December 31, 2022 and 2021 were as follows:

	December 31, 2022	December 31, 2021
Personnel expenses	**$1,339,239**	$1,008,268
Depreciation and amortization	**95,307**	1,050,800
Share based compensation	**734,521**	134,020
Expected credit loss	**251,934**	10,165
Other general and administrative	**3,736,797**	213,037
Total administrative expense	**$6,157,798**	$2,416,290

(Expressed in United States Dollars)

26. CONTINGENCIES

Litigation Claims

In the ordinary course of business, the Company is, from time-to-time, involved in potential litigation. During 2021, the Company became a defendant in a claim from a former employee. On October 5, 2021, the Company entered into a settlement agreement with the former employee in the amount of $100,000. Fifty percent of the settlement amount representing $50,000 was paid by the insurance company and the remaining $50,000 was paid directly by the Company to the former employee. Upon payment of these amounts, the litigation with the former employee was fully settled.

The Company is also 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 ($1,026,144). 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

	2022	2021
Revenue from External Customers:		
Asia	$ 1,390,300	$ 3,980,633
Europe	1,723,836	1,319,106
Americas	-	820,350
Total	$ 3,114,136	$ 6,120,089
Noncurrent Assets:		
Patents, net:		
United States	$ 330,555	$ 416,376
Intangible assets, net:		
United States	$ 382,416	$ 386,832
Deferred offering costs:		
United States	$ -	$ 564,818
Right-of-use assets:		
United States	$ 414,534	$ -
Belgium	$ 428,966	$ 510,289
Plant and equipment, net:		
United States	$ 14,936	$ 16,477
Belgium	$ 17,219,341	$ 19,126,204

28. SUBSEQUENT EVENTS

Share offering

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 $34,140. The Company expects to pay total cash commissions of $80,268.

Subsequent to the year-end, the Company settled CAD$305,200 in trade payables through the issuance of 1,017,333 common shares.

On June 23, 2023, the Chairman of the Board of FRX, through a company where the Chairman is a significant shareholder, advanced a $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.

On July 3, 2023, the managing director and vice president of the largest shareholder of the Company, who are also both directors of the Company, 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.