FRX POLYMERS

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

50 Washington Street
Westborough, MA 01581
508.366.9100
aafcpa.com

Independent Auditor's Report

To the Board of Directors and Stockholders of
FRX Polymers, Inc. and Subsidiaries:

Opinion

We have audited the consolidated financial statements of FRX Polymers, Inc. (a Delaware corporation) and its Subsidiaries (collectively, the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of profit or loss and comprehensive loss, changes in stockholders' equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of FRX Polymers, Inc. and Subsidiaries as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt About the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has reported continuing losses since its first year of commercial operations through the current year and has an accumulated deficit of approximately $31,851,000. The Company's existing sales volume is not at sufficient levels to generate positive working capital from operations and requires the Company to access additional equity investment or debt financing, the outcome of which is uncertain. This condition raises substantial doubt about its ability to continue as a going concern. Management plans regarding this matter are also described in Notes 1 and 28. The consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- 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. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information Included in the Company's Annual Report

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

AAFCPAs, Inc.

Boston, Massachusetts
May 19, 2022

FRX POLYMERS, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position
December 31, 2021 and 2020

Assets	**Note**	**2021**	**2020**
Current Assets:			
Cash and cash equivalents	3	$ 453,359	$ 547,409
Trade receivables, net		2,270,015	2,662,809
Inventories, net	4	1,418,949	1,159,252
Other current assets	5	303,840	358,985
Total current assets		4,446,163	4,728,455
Non-current Assets:			
Plant and equipment, net	6	19,142,681	21,821,548
Right-of-use assets	7	510,289	569,188
Intangible assets, net	9	386,832	285,759
Patents, net	8	416,376	473,783
Deferred offering costs	28	564,818	-
Total non-current assets		21,020,996	23,150,278
Total assets		$ 25,467,159	$ 27,878,733
Liabilities, Stockholders' Equity (Deficit) and Non-Controlling Interest			
Current Liabilities:			
Accounts payable		$ 1,973,805	$ 1,528,609
Accrued expenses and other current liabilities	10	819,989	1,182,903
Current portion of lease liability	7	35,746	37,717
Current portion of notes payable	11	1,269,904	36,810
Total current liabilities		4,099,444	2,786,039
Long-Term Liabilities:			
Notes payable, net of current portion	11	12,503,777	15,111,904
2020 and 2019 Convertible notes payable and accrued interest, net of debt issuance costs	12	9,021,104	7,587,537
Common stock warrant liability - FRX Polymers, Inc.	12	3,427,236	1,990,335
Common stock warrant liability - FRX Polymer Canada, Inc.	13	89,411	-
2021 Convertible debentures, net of debt issuance costs	13	3,048,597	-
2021 Convertible debentures - derivative liability	13	902,210	-
2021 Convertible debentures - non-interest bearing	13	54,663	-
Lease liability, net of current portion	7	504,385	564,137
Total long-term liabilities		29,551,383	25,253,913
Total liabilities		33,650,827	28,039,952
Stockholders' Equity (Deficit):			
Common Stock, $0.001 par value:			
Bridge; 19,000,000 shares authorized; 16,560,000 voting shares issued and outstanding at December 31, 2021 and 2020	15	16,560	16,560
Mezzanine; 11,000,000 shares authorized; 5,760,000 voting shares issued and outstanding at December 31, 2021 and 2020	15	5,760	5,760
Basic; 21,500,000 shares authorized; 5,558,063 and 1,629,685 voting shares issued and outstanding at December 31, 2021 and 2020, respectively	15	5,558	1,630
Additional paid-in capital		25,049,194	23,976,291
Deferred compensation - restricted stock	15	(533,666)	-
Accumulated deficit		(31,850,560)	(23,113,438)
Accumulated other comprehensive loss	21	(337,225)	(503,148)
Total stockholders' equity (deficit)		(7,644,379)	383,655
Non-Controlling Interest		(539,289)	(544,874)
Total liabilities, stockholders' equity (deficit) and non-controlling interest		$ 25,467,159	$ 27,878,733

Approved on Behalf of the Board of Directors:

"Bernhard Mohr"

Bernhard Mohr, Director

"Ross Haghighat"

Ross Haghighat, Director

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

FRX POLYMERS, INC. AND SUBSIDIARIES

Consolidated Statements of Profit or Loss and Comprehensive Loss
For the Years Ended December 31, 2021 and 2020

	Note	2021	2020
Revenue		$ 6,120,089	$ 5,276,839
Cost of Goods Sold		7,109,089	6,598,404
Gross margin		(989,000)	(1,321,565)
Operating Expenses:			
Administrative	24	2,416,290	1,734,594
Research	24	763,280	840,811
Sales and marketing	24	620,988	457,853
Total operating expenses		3,800,558	3,033,258
Operating loss		(4,789,558)	(4,354,823)
Other Income (Expense):			
Gain on debt modification	11	720,599	-
Interest income		11	7,528
Foreign currency gain (loss)		(816,741)	1,328,027
Fair value of derivative liability - convertible debentures	13	(902,210)	-
Interest expense		(1,417,326)	(1,177,398)
Fair value of common stock warrants	12	(1,526,312)	(1,990,335)
Total other income (expense)		(3,941,979)	(1,832,178)
Net loss		(8,731,537)	(6,187,001)
Other Comprehensive Gain (Loss):			
Foreign currency translation adjustment	21	165,923	(406,177)
Net comprehensive loss		(8,565,614)	(6,593,178)
Net Comprehensive Loss Attributable to Non-Controlling Interest		(5,585)	(7,434)
Net comprehensive loss attributable to controlling interest		$ (8,571,199)	$ (6,600,612)
Loss per Share:			
Basic and diluted	17	$ (0.34)	$ (0.28)
Weighted average number of shares outstanding		24,931,780	23,949,685

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

Consolidated Statements of Stockholders' Equity (Deficit)
For the Years Ended December 31, 2021 and 2020

		Common Stock											
		Bridge Common Stock		Mezzanine Common Stock		Basic Common Stock		Additional Paid-in Capital	Deferred Compensation - Restricted Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)	Non-Controlling Interest
	Note	Shares	Amount	Shares	Amount	Shares	Amount						
Balance, December 31, 2019		16,560,000	$ 16,560	5,760,000	$ 5,760	1,629,685	$ 1,630	$ 23,976,050	$ -	$ (16,919,003)	$ (96,971)	$ 6,984,026	$ (552,308)
Share-based compensation expense - employees		-	-	-	-	-	-	241	-	-	-	241	-
Foreign currency translation adjustment	21	-	-	-	-	-	-	-	-	-	(406,177)	(406,177)	-
Net loss		-	-	-	-	-	-	-	-	(6,194,435)	-	(6,194,435)	7,434
Balance, December 31, 2020		16,560,000	16,560	5,760,000	5,760	1,629,685	1,630	23,976,291	-	(23,113,438)	(503,148)	383,655	(544,874)
Issuance of restricted stock	14	-	-	-	-	3,928,378	3,928	938,883	(942,811)	-	-	-	-
Share-based compensation expense - restricted stock	15	-	-	-	-	-	-	-	409,145	-	-	409,145	-
Share-based compensation expense - stock options	14	-	-	-	-	-	-	134,020	-	-	-	134,020	-
Foreign currency translation adjustment	21	-	-	-	-	-	-	-	-	-	165,923	165,923	-
Net loss		-	-	-	-	-	-	-	-	(8,737,122)	-	(8,737,122)	5,585
Balance, December 31, 2021		16,560,000	$ 16,560	5,760,000	$ 5,760	5,558,063	$ 5,558	$ 25,049,194	$ (533,666)	$ (31,850,560)	$ (337,225)	$ (7,644,379)	$ (539,289)

FRX POLYMERS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities:		
Net loss	$ (8,731,537)	$ (6,187,001)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,024,581	1,070,720
Amortization of patents	42,592	50,000
Patent impairment	14,815	87,191
Amortization of intangible assets	4,416	-
Amortization of debt issuance costs	53,821	54,790
Amortization of right-of-use asset	26,219	24,608
Amortization of debt discount	137,468	-
Bad debt expense	10,165	106,320
Increase in inventory reserve	248,249	-
Share-based compensation - restricted stock	409,145	-
Share-based compensation - stock options	134,020	241
Noncash interest on notes payable	-	121,700
Noncash interest on convertible notes payable	399,381	313,247
Noncash interest on convertible debentures	73,747	-
Interest expense on financial liabilities	27,676	27,232
Fair value of common stock warrants	1,526,312	1,990,335
Fair value of derivative liability	902,210	-
Gain on debt modification	(720,599)	-
Unrealized currency transaction (gain) loss	1,216,315	(1,358,748)
Changes in operating assets and liabilities:		
Trade receivables	181,576	(397,645)
Inventories	(615,667)	757,580
Other current assets	36,315	(54,217)
Accounts payable	542,637	781,796
Accrued expenses and other current liabilities	(322,711)	(299,038)
Net cash used in operating activities	(3,378,854)	(2,910,889)
Cash Flows from Investing Activities:		
Additions to intangible assets	(105,489)	(89,442)
Acquisition of plant and equipment	(16,611)	(55,126)
Net cash used in investing activities	(122,100)	(144,568)
Cash Flows from Financing Activities:		
Proceeds from issuance of convertible notes	1,000,000	1,000,000
Issuance costs of convertible debt	-	(59,250)
Proceeds from issuance of convertible debentures	3,141,561	-
Issuance costs of convertible debentures	(131,683)	-
Principal payment of lease liability	(42,689)	(34,700)
Deferred offering costs	(564,818)	-
Principal payments of notes payable	(33,912)	-
Net cash provided by financing activities	3,368,459	906,050
Effect of Exchange Rate Changes on Cash	38,445	26,780
Net Change in Cash and Cash Equivalents	(94,050)	(2,122,627)
Cash and Cash Equivalents:		
Beginning of year	547,409	2,670,036
End of year	$ 453,359	$ 547,409
Supplemental Disclosure of Non-Cash Transactions:		
Issuance of restricted stock	$ 942,811	$ -
Issuance of common stock warrants	$ -	$ 21,047
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 725,233	$ 687,661

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

1. BACKGROUND AND OPERATIONS

FRX Polymers, Inc. is a C corporation incorporated in Delaware, United States. Its headquarter, principal place of business and registered office, is located in, Chelmsford, Massachusetts, United States. FRX Polymers, Inc. has three wholly-owned subsidiaries: FRX Polymers (Europe), NV, which operates in Antwerp, Belgium, FRX (Shanghai) Consulting Co., Ltd., which is located in Shanghai, China, and FRX Polymer (Canada) Inc. (“FRX Canada”), which is located in West Vancouver, British Columbia, Canada, and it also has a controlled entity, FRX International Pty Ltd. (the controlled entity, or “FRX Pty”), which is located in Australia and is inactive. FRX Polymers, Inc. along with its wholly-owned subsidiaries and controlled entity are referred to collectively as “the Company” or “FRX”. 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. The Company has a total of 64 patent applications globally which cover 20 separate patent families. Of the 64 patents referred to, 40 patents have been granted and 24 have been published. The remaining patent applications are in process of writing, filing application and pursuing protection with the patent office.

On August 3, 2021, FRX Polymers, Inc. executed a letter of intent whereby it would negotiate the definitive terms of a reverse merger (the “RTO”) with Good2GoRTO Corp. (“G2G”), a Toronto Stock Exchange (“TSX”) Venture Exchange capital pool company. The result of a successful completion of the merger under the contemplated terms would be the effective listing of FRX Polymers, Inc. on the TSX Venture Exchange (the “TSXV”). The terms of the agreement require the Company to complete a concurrent financing of between CAD $5,000,000 and CAD $15,000,000. At the contemplated values of the parties, the shareholders of FRX Polymers, Inc. will hold approximately 97.9% of the resulting issuer (see Note 28).

On August 17, 2021, to facilitate the RTO, FRX Polymers, Inc. incorporated a wholly-owned subsidiary, FRX Polymer (Canada) Inc. (“FRX Canada”) under the Canada Business Corporations Act, and commencing on September 14, 2021, FRX Canada closed four tranches of convertible debentures for gross proceeds of $3,086,898 (CAD $3,953,000) (see Note 13 and Note 28).

On September 30, 2021, FRX Polymers, Inc. received confirmation from its existing convertible noteholders of intent to exchange the convertible notes for common shares of FRX Polymers, Inc. subject to certain conditions related to the RTO (see Note 12 and Note 28).

Going Concern Assessment

Since its first year of commercial operations and continuing through December 31, 2021, the Company has incurred losses and presently has an accumulated deficit of approximately $31,851,000. The Company has historically been successful in raising debt and equity capital to offset the impact of these losses. The Company is currently in the process of raising additional debt and equity funding, but no assurances can be given that this funding will be obtained and if obtained, in sufficient amounts to satisfy working capital requirements. (Note 28) 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, maintain trade secrets, protect patents previously filed, and expand the market acceptance of its flame retardant polymer products within the existing worldwide polymer supply chains. Some successful market expansion has been achieved, but meaningful revenue growth has eluded the Company to date and there can be no assurance that the projected sales growth and future production goals will be attained. 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 not subject to any externally imposed capital requirements.

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, raise substantial doubt about the Company's ability to continue as a going concern. 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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (referred to as "IFRS") as issued by the International Accounting Standards Board (referred to as "IASB").

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 include the financial statements of FRX Polymers, Inc., its wholly-owned subsidiaries, FRX Polymer (Canada) Inc., FRX Polymers (Europe), NV, FRX (Shanghai) Consulting Co., Ltd., and FRX Pty, in which FRX Polymers, Inc. has a controlling financial interest and is the primary beneficiary. All significant intercompany transactions, balances and profits have been eliminated in consolidation.

Controlled Entity

The Company follows the IFRS 10 and 12 which addresses consolidation based on the control model. FRX Polymers, Inc. has de facto control of FRX Pty, and therefore, the assets, liabilities, and results of operations of FRX Pty are included in the accompanying consolidated financial statements.

Non-controlling Interest

For the years ended December 31, 2021 and 2020, the non-controlling interest in the consolidated statements of profit or loss and comprehensive loss represents the non-controlling ownership's share of the net loss in FRX Pty and the non-controlling interest referred to in the consolidated statements of financial position reflect the non-controlling ownership's equity interest in the entity.

d) Use of Estimates

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, income, expenses and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Use of Estimates (Continued)

Estimates and underlying assumptions are reviewed at each consolidated statements of financial position date. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods affected. The Company also assessed the impact of COVID-19 on estimates and critical judgements. Although the Company expects COVID-19 related disruptions to continue, the Company believes that the long-term estimates and assumptions do not require significant revisions. Any such revisions could result in a material impact on the Company's financial performance and financial condition.

In particular, information about significant areas of estimation and uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are included in the following notes:

I. Note 2f - Revenue recognition. The Company records a contract 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 using the most likely amount method, using historical experience.

II. Note 2j - Plant and equipment. Management determines their estimate of useful lives of the Company's plant and equipment based on their expectation of the period of time the class of asset will provide future economic benefit to the Company.

III. Note 2m - Allowance for doubtful trade receivables. Management is required to assess the likelihood that they may not collect from the trade receivables and the estimate is based on evidence that a single receivable is uncollectible, as well as a historical pattern of collections of trade receivables that indicate the entire face amount of a portfolio of trade receivables may not be collectible. Because the amounts are estimated, they may not fully reflect the actual outcome and write-off.

IV. Note 2n - Valuations of inventory. Management assesses the valuation of inventory based on the lower of cost or net realizable value and overhead allocations, and tank pressure measurements of raw materials. In valuing inventory, management considers obsolescence of inventory, excessive levels, deterioration, and other factors.

V. Note 2r - When calculating the fair value accounting of stock options, equity compensation, and warrants, the Company uses a Black-Scholes model with the following assumptions: volatility rate, risk-free rate, expected term, and expected annual dividend yield. The inputs used in the model are taken from observable market information.

VI. Note 7 - Right-of-use assets and lease liabilities. Significant judgements are made in calculating the present value of future lease liabilities. Estimates of the present value of future lease liabilities are made based on the discount rate determined by the Company. The Company believes its incremental borrowing rate is the best estimate of the discount rate and considers inputs such as interest rates from various external financing sources. If the Company had chosen a different discount rate, the right-of-use assets and lease liabilities may be materially different than the amounts in the consolidated statements of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Use of Judgement

Management makes the following critical judgement in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are included in the following notes:

I. Note 1 - Management's judgement that there is substantial doubt about the Company's ability to continue as a going concern. The going concern assumption is based on the Company's judgement that they are able to successfully raise additional debt and equity funding, maintain trade secrets, protect patents previously filed, and expand the market acceptance of its flame retardant polymer products within the existing worldwide polymer supply chains to achieve projected sales growth and future production goals.

II. Note 2j - Plant and equipment, useful lives and impairment, capitalization of product development costs. Management's judgements are made in determining the useful lives of the Company's plant and equipment. Also, similar to patents, plant and equipment is reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the carrying value of the asset may not be recoverable. For the purpose of measuring recoverable amounts, management uses factors such as future cash flows and discount rates, similar to the assessment of impairment for patents. Product development costs are capitalized if they 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. These assessments are based on management's experience, general economic conditions and assumptions regarding future outcomes. Future events could cause the assumptions to change, which could affect the Company's results in the future.

III. Note 8 - Impairment of patents. Significant judgements are made in evaluating whether certain events and circumstances represent objective evidence of impairment and in determining the recoverable amounts. Estimates rely on certain factors such as future cash flows and discount rates. Future cash flows are based on revenue projections and costs which are estimated based on forecasted results while discount rates are based on the cost of capital. Future outcomes may be materially different than those assumptions used in the impairment assessment and therefore could have a significant effect on the results of the Company.

f) Revenue Recognition

The Company determines revenue through the following steps (1) identification of the contract with a customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when, or as, performance obligations are satisfied.

The Company's revenue is generated substantially from the sale of flame-retardant polyphosphate polymers ("polymers"). Revenue from sales of polymers predominantly contain a single performance obligation and revenue is recognized at a point in time when the performance obligations met upon transfer of control to the customer. This is the point when transfer of control of the goods occurs since the customer has taken title and assumes the risk and rewards of ownership. The transaction price is agreed upon through a quote and purchase order.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Revenue Recognition (Continued)

The Company provides customers with a general right of return. The Company accounts for the right of return as variable consideration using a specific contract approach. The Company records a contract 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 using the most likely amount method. There were no contract assets and liabilities for right of return at December 31, 2021 and 2020.

g) 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.

h) Cost Recognition

Costs and expenses are recognized when incurred and are classified according to their nature. Expenditures capitalized represents employee costs and other expenses incurred for product development undertaken by the Company.

i) Foreign Currency Translation

The Company's currency of presentation is the United States dollar, which is also FRX Polymers, Inc.'s functional currency. The financial position and results of operations of the Company's foreign subsidiaries are measured using the foreign subsidiaries' local currency as the functional currency. Revenue and expenses at year-end are translated at the rate of exchange in effect during the year. Assets and liabilities at year-end are translated at the rate of exchange in effect at the year-end. The resulting translation gain or loss adjustments are recorded as other comprehensive income (loss) as a separate component of stockholders' equity (deficit), unless there is a sale or complete liquidation of the underlying foreign investments. The functional currencies of FRX Polymers (Europe), NV, FRX (Shanghai) Consulting Co., Ltd., and FRX Pty are Euros, Chinese yuan, and Australian dollar, respectively.

j) Plant, Equipment and Depreciation

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Plant, Equipment and Depreciation (Continued)

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.

k) 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 statement of profit and 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 intangible assets includes directly attributed salaries and other employment costs. Capitalized development expenditures are measured at cost less accumulated amortization and accumulated impairment losses.

l) Impairment of Plant and Equipment and Other Intangible 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Impairment of Plant and Equipment and Other Intangible Assets (Continued)

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.

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 statement of profit or loss and comprehensive loss.

m) Trade Receivables

Trade receivables are presented net of an allowance for doubtful accounts equal to the estimated uncollectible amounts. In determining whether an allowance for doubtful accounts is necessary, objective evidence that a single receivable is uncollectible, as well as a historical pattern of collections of trade receivables that indicate the entire face amount of a portfolio of trade receivables may not be collectible, is considered at each consolidated statements of financial position date.

Change in the allowance for doubtful accounts is as follows for the years ended December 31:

	2021	2020
Beginning balance	$ 106,320	$ -
Foreign exchange loss	1,895	-
Allowance made during the year	10,165	106,320
Ending balance	$ 118,380	$ 106,320

n) Inventories

Inventory is measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable cost of completion, disposal, and transportation. Cost is determined on an average cost method. Appropriate consideration is given to obsolescence, excessive levels, deterioration, and other factors in evaluating the value of inventory.

o) Leases

The Company accounts for lease arrangements under IFRS 16, *Leases* (“IFRS 16”). At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Leases (Continued)

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 from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of plant and equipment. 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. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

p) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Income Taxes

The Company is taxed as a C corporation, whereupon it provides for the income tax effect of earnings reported in the consolidated financial statements, including taxes currently due and any deferred tax asset or liability to recognize the estimated future tax consequences attributable to the cumulative temporary differences between consolidated financial statements and tax bases of assets and liabilities. Current income tax assets and liabilities 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 at the reporting date in the countries where the Company operates and generates taxable income.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized in correlation to the underlying transaction either in Other Comprehensive Income (OCI) or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Share-Based Compensation

The Company periodically grants stock options for a fixed number of shares of common stock to its employees, directors, and non-employee contractors, with an exercise price greater than or equal to the fair market value of its common stock at the date of the grant. The Company's share-based compensation arrangements vest either immediately or immediately prior to consummation of a merger agreement between FRX Polymers, Inc. and a capital pool company resulting in a new parent entity of FRX Polymers, Inc. listed on the TSXV.

Share-based compensation to employees and non-employees is measured at the grant date, based upon the fair value of the award, and is recognized as an expense over the receipt's requisite service period (generally the vesting period of the equity grant).

The Company estimates the fair value of stock options using a Black-Scholes valuation model. Key inputs used to estimate the fair value of stock options include the exercise price of the award, the expected option term, the expected volatility of the Company's stock over the option's expected term, the risk-free interest rate, and the Company's expected annual dividend yield. The Company believes that the valuation technique and approach utilized to develop the underlying assumptions are appropriate in calculating the fair values of its stock options granted. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by persons who receive equity awards. The Company accounts for forfeitures when they occur.

s) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets other than equity instruments are classified into categories: financial assets at fair value through profit or loss and at amortized cost. Financial assets that are equity instruments are classified as fair value through profit or loss or fair value through other comprehensive income. Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities which are carried at amortized cost.

Financial instruments are recognized on the consolidated statements of financial position when the Company becomes a party to the contractual provisions of the instrument. Initially, a financial instrument is recognized at its fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are recognized in determining the carrying amount, if it is not classified at fair value through profit or loss. Subsequently, financial instruments are measured according to the category in which they are classified.

Financial assets at amortized cost: Financial assets having contractual terms that give rise on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding and that are held within a business model whose objective is to hold such assets in order to collect such contractual cash flows, are classified in this category. Subsequently, these are measured at amortized cost using the effective interest method less any impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Financial Instruments (Continued)

Financial assets at fair value through other comprehensive income: These include financial assets that are equity instruments and are designated as such upon initial recognition irrevocably. Subsequently, these are measured at fair value and changes therein are recognized directly in other comprehensive income, net of applicable income taxes. When the equity investment is derecognized, the cumulative gain or loss in equity is transferred to retained earnings.

Financial assets at fair value through profit and loss: Financial assets are measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition are recognized in profit or loss. These also include certain equity instruments that are designated as such upon initial recognition irrevocably. Derivatives which are not designated as hedging instruments are recognized at fair value through profit or loss.

Equity instruments: An equity instrument is any contract that evidence residual interests in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities at fair value through profit or loss: Derivatives which are not designated as hedging instruments are recognized at fair value through profit or loss. Financial guarantee contracts: These are initially measured at their fair values and are subsequently measured at the higher of the amount of loss allowance determined or the amount initially recognized less the cumulative amount of income recognized.

Other financial liabilities: These are measured at amortized cost using the effective interest method.

Determination of fair value: The fair value of a financial instrument on initial recognition is normally the transaction price (fair value of the consideration given or received). Subsequent to initial recognition, the Company determines the fair value of financial instruments that are quoted in active markets using the quoted bid prices (financial assets held) or quoted ask prices (financial liabilities held) and using valuation techniques for other instruments. Valuation techniques include discounted cash flow method and other valuation methods.

Derecognition of financial assets and financial liabilities: The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risk and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of the ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for the amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. Financial liabilities are derecognized when these are extinguished, that is when the obligation is discharged, cancelled or has expired.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Financial Instruments (Continued)

Impairment of financial assets: The Company recognizes a loss allowance for expected credit losses on a financial asset that is at amortized cost. Loss allowance in respect of financial assets is measured at an amount equal to life time expected credit losses and is calculated as the difference between their carrying amount and the present value of the expected future cash flows discounted at the original effective interest rate.

Loss allowance in respect of finance receivables is measured at an amount equal to twelve month expected losses if credit risk on such assets has not increased significantly since initial recognition. An allowance equal to lifetime expected losses is provided if credit risk has increased significantly from date of initial recognition. Credit risk is determined to have increased significantly when a finance receivable becomes thirty days past due. Such impairment loss is recognized in the consolidated statements of profit or loss and comprehensive loss. If the amount of impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. The reversal is recognized in the consolidated statements of profit or loss and comprehensive loss.

t) Subsequent Events

Subsequent events have been evaluated through May 19, 2022**,** which is the date the consolidated financial statements were available to be issued. See Note 28 for subsequent events which met the criteria for disclosure in the notes to the consolidated financial statements.

u) 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.

v) Deferred Offering Costs

In accordance with IAS 32, *Financial Instruments*, deferred offering costs consisting of underwriting, legal, regulatory filing, accounting, and other costs incurred through the balance sheet date that are directly related to an initial public offering are deferred until the related offering occurs. The deferred offering costs capitalized relate to the public offering on TSXV described in Note 28. These costs will be allocated on a relative fair value basis to expenses or stockholders' equity upon completion of the initial public offering.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

w) Accounting Standards Issued Not Yet Effective

Recent pronouncements not yet adopted in 2021:

The IASB has issued the following new standards that will become effective in a future year and could have an impact on the consolidated financial statements in future periods:

- IAS 37, Provisions, *Contingent Liabilities and Contingent Assets - Onerous Contracts*, specifying costs an entity should include in determining the "cost of fulfilling" a potential onerous contract.
- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, and IFRS 7), addressing issues that might affect financial reporting after the reform of an interest rate benchmark.
- Amendments to IAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*, clarifying requirements for the classification of liabilities as noncurrent.
- Amendments to IAS 16, *Property Plants and Equipment* - Proceeds before intended use, prohibiting reducing the cost of property, plant, and equipment by proceeds while bringing an asset to capable operations.
- Amendments to IFRS 3, *Business Combinations - Updating a Reference to the Conceptual Framework*, updating a reference to the Conceptual Framework.

x) Earnings/Loss per Share

Earnings/loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated allowing for the exercise of all dilutive instruments and assumes that any proceeds that can be obtained upon the exercise of options is used to purchase common shares at the average market price during the period. The diluted earnings or loss per share calculation excludes any potential conversion of options that would increase earnings per share or decrease loss per share.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at December 31:

	2021	2020
Balances with banks (including deposits with original maturities of up to three months)	$ 453,359	$ 547,409

4. INVENTORIES, NET

Inventories consist of the following at December 31:

	2021	2020
Finished goods	$ 946,792	$ 812,566
Raw materials	472,157	346,686
	$ 1,418,949	$ 1,159,252

4. INVENTORIES, NET (Continued)

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 $456,000 and $238,000 related to finished goods and $50,000 and $55,000 related to saleable raw materials at December 31, 2021 and 2020, respectively.

5. OTHER CURRENT ASSETS

Other current assets consist of the following at December 31:

	2021	2020
Prepaid expenses	$ 227,641	$ 303,096
Taxes recoverable, statutory deposits and dues from government	76,199	55,889
	$ 303,840	$ 358,985

6. PLANT AND EQUIPMENT, NET

Plant and equipment consist of the following at December 31:

	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, at 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				$ 19,142,681

6. PLANT AND EQUIPMENT, NET (Continued)

Plant and equipment consist of the following at December 31:

	Building	Equipment	Leasehold Improve-ments	Total
Cost, January 1, 2020	$ 15,359,282	$ 12,674,243	$ 17,000	$ 28,050,525
Additions	-	55,580	-	55,580
Currency translation	1,507,932	1,001,159	-	2,509,091
Cost, at December 31, 2020	$ 16,867,214	$ 13,730,982	$ 17,000	30,615,196
Accumulated Depreciation, January 1, 2020	$ 2,311,584	$ 4,844,017	$ 17,000	7,172,600
Depreciation	429,498	641,221	-	1,070,719
Currency translation	220,076	330,252	-	550,328
Accumulated Depreciation, December 31, 2020	$ 2,961,158	$ 5,815,490	$ 17,000	8,793,648
Net Book Value				$ 21,821,548

7. LEASES

Right-of-Use Asset

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. The Company has a right to extend the duration of the contract by up to an additional twenty years. The following amounts are included as right-of-use assets in the accompanying consolidated statements of financial position at December 31:

	2021	2020
Balance, beginning of year	$ 569,188	$ 538,044
Depreciation for the year	(26,219)	(24,608)
Effect of movement in exchange rates	(32,680)	55,752
Balance, end of year	$ 510,289	$ 569,188

Lease Liability

When measuring lease liability, the Company discounted lease payments using its incremental borrowing rate at December 31, 2021 and 2020. The weighted-average rate applied is 5%.

7. LEASES (Continued)

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	
2022	$ 35,746
2023	38,346
2024	38,841
2025	39,342
2026	39,850
Thereafter	665,461
	857,586
Less - present value discount	(317,455)
Less - current portion	(35,746)
Lease liability, net of current portion	$ 504,385

The following amounts are recognized in the consolidated statements of profit or loss and comprehensive loss for the years ended December 31:

	2021	2020
Interest expense on lease liabilities	$ 27,676	$ 27,232

8. PATENTS, NET

Patents consist of the following at December 31:

	2021	2020
Beginning cost	$ 851,852	$ 1,000,000
Write-down/impairment	(37,037)	(148,148)
Ending cost	814,815	851,852
Beginning accumulated amortization	(378,069)	(389,026)
Amortization for the year	(42,592)	(50,000)
Write-down/impairment	22,222	60,957
	(398,439)	(378,069)
Net carrying amount, December 31	$ 416,376	$ 473,783

8. PATENTS, NET (Continued)

During 2021 and 2020, the Company abandoned one and four patents, respectively, and recorded a patent impairment charge of $14,815 and $87,191, respectively. Estimated amortization of the approved patents for each of the five succeeding years is approximately $41,000 and cumulatively $211,000 thereafter.

9. INTANGIBLE ASSETS, NET

Capitalized development costs consist of the following at December 31:

	2021	2020
Beginning cost	$ 291,766	$ 197,908
Additions	105,489	93,858
Ending cost	397,255	291,766
Beginning accumulated amortization	6,007	1,591
Amortization for the year	4,416	4,416
	10,423	6,007
Net carrying amount, December 31	$ 386,832	$ 285,759

Estimated amortization of the development costs for each of the five succeeding years is $4,416 and cumulatively $11,658 thereafter. The remaining development projects are anticipated to be placed into service in 2022.

10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following at December 31:

	2021	2020
Accrued vacation	$ 160,887	$ 116,809
Accrued interest	28,790	281,033
Other	630,312	785,061
	$ 819,989	$ 1,182,903

11. NOTES PAYABLE AND LONG-TERM DEBT

Credit Facility

During December 2011, the Company, through its subsidiary, FRX Polymers (Europe), NV ("FRX NV"), entered into a credit facility 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, which acts as collateral for the credit facility. This facility consists of:

	2021	2020
$1,695,600 (€1,500,000) first tranche "line of credit" which carried interest, due quarterly, of EURIBOR three months plus a margin of 3.30%, and the outstanding principal amount due in a single payment no later than December 31, 2027. In June 2019, the terms of the credit facility were renegotiated. As amended, the first tranche carries interest, due quarterly, of EURIBOR three months plus a margin of 2.55%, plus payment in-kind (PIK)-interest of 0.40% until December 31, 2021, and then converting to EURIBOR three months plus a margin of 3.30% until March 31, 2028. Accrued PIK-interest is to be paid in full on the quarterly amortization commencement date of the second tranche line of credit. The outstanding principal amount is due in a single payment no later than March 31, 2028.	$ 1,695,600	$ 1,840,500
$13,564,800 (€12,000,000) second tranche "line of credit" which carried interest, due quarterly, of EURIBOR three months plus a margin of 2.80% with principal that was due in 52 equal quarterly payments, beginning March 31, 2015. In June 2019, the terms of the credit facility were renegotiated in conjunction with the 2019 Convertible Notes with the Lead Investor (see Note 12). The second tranche line of credit carries interest, due quarterly, of EURIBOR three months plus a margin of 2.05%, plus PIK-interest of 0.40% until December 31, 2021, and then converting to EURIBOR three months plus a margin of 3.30% until December 31, 2027. Accrued PIK-interest is to be paid in full on the quarterly amortization commencement date. Should the Lead Investor fail to fund a tranche, quarterly payments would have commenced in the quarter in which the funding did not occur. In October 2020, before any quarterly principal payments were made, the Lead Investor failed to fund a tranche and the quarterly principal payments were suspended by the bank until the agreement was further amended (see page 24).	8,869,277	9,627,214
	$ 10,564,877	$ 11,467,714

11. NOTES PAYABLE AND LONG-TERM DEBT (Continued)

Credit Facility (Continued)

On April 8, 2021, the terms of the credit facility were renegotiated in conjunction with the 2020 Convertible Notes (see Note 12). The second tranche "line of credit" quarterly principal payments were suspended until September 30, 2021, since the Company received capital injections of $750,000 by April 7, 2021, satisfying the first condition of the amended agreement. At October 2021, conditions were met for quarterly principal payments to be further suspended until June 30, 2022, and quarterly amortization to commence on that date. The current portion of debt as of December 31, 2021, is $1,156,864 (€1,023,411). There was no current portion at December 31, 2020.

In conjunction with this credit facility, a guarantee of payment to the bank equal to 70% of the principal and interest outstanding at the date of default is provided by the Gigarant N.V., a financing component of the Flemish Government. The Company is a party to the Guarantee Agreement and the Framework Agreement entered into in February 2012 among the Company, the bank and the Gigarant N.V. Annually, the Company remits an interest fee of 3.8% on the amount available for utilization under the credit facility. The guarantee expired in February 2022. Total interest expense related to this guarantee totaled $602,791 (€509,372) and $354,433 (€288,861) in 2021 and 2020, respectively.

This debt agreement contains certain financial and non-financial covenants, with which, at December 31, 2021, the Company was in compliance.

Subordinated Loan Agreement

	2021	2020
$4,973,760 (€4,400,000) subordinated loan agreement with an engineering firm for the construction of the specialty polymer plant referred to previously. The loan had a remaining balance at the beginning of the period of €2,000,000 with associated royalty payments and had 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. The amended loan repayment schedule is through 2032. The payment schedule of the €2,000,000 is fixed beginning in 2024 and the payment schedule for the €2,400,000 is variable based upon sales volume beginning in 2026. Any accrued interest and royalties previously recorded were forgiven as part of the loan modification. In accordance with IFRS 9, the Company recorded the loan modification at its net present value using the original effective interest which was determined to be 12%. The Company amortizes the debt discount of $3,001,906 over the term of the loan using the effective interest rate method and recorded interest expense of $137,468 during 2021.	$ 4,973,760	$ 2,454,000

11. NOTES PAYABLE AND LONG-TERM DEBT (Continued)

Borrowing Agreement

	2021	2020
$1,130,400 (€1,000,000) borrowing agreement with an outside party. Interest accrues at a rate of 5% annually, calculated on a 365-day basis. The loan had a one-year interest free grace period and now bears interest at 5.0%. On May 28, 2021, the note was refinanced. Accrued but unpaid interest is payable every twelve months for the preceding twelve months with varying quarterly principal amounts due through November 15, 2025. Interest expense for 2021 and 2020 was $62,118 and $57,550, respectively. Total accrued interest was $28,790 and $35,633 at December 31, 2021 and 2020, respectively.	$ 1,099,481	$ 1,227,000

Classification

The classification of notes payable consists of the following at December 31:

	2021	2020
Credit facility	$ 10,564,877	$ 11,467,714
Subordinated loan agreement	4,973,760	2,454,000
Borrowing agreement	1,099,481	1,227,000
	16,638,118	15,148,714
Less - unamortized debt discount	(2,864,437)	-
Less - current portion	(1,269,904)	(36,810)
Notes payable, net of current portion	$ 12,503,777	$ 15,111,904

Annual maturities of long-term debt and annual amortization of the debt discount for the next five years at December 31, 2021, are as follows:

	Principal	Discount
2022	$ 1,269,904	$ 273,000
2023	1,712,045	273,000
2024	1,881,605	273,000
2025	2,302,846	273,000
2026	1,923,239	273,000
Thereafter	7,548,479	1,499,437
	$ 16,638,118	$ 2,864,437

Intercompany Notes

Periodically, FRX Polymers, Inc. will loan funds to FRX Polymers NV in the form of intercompany note agreements for various working capital needs. The notes accrue interest at a rate of 5% per annum and mature on January 1, 2025. On June 23, 2020, the Company effected a recapitalization of the notes. Pursuant to the agreement, the Company recapitalized $26,337,187 (€22,282,818) of principal and $4,144,126 (€3,639,975) of accrued interest to retained earnings on FRX Polymers, Inc. and FRX Polymers NV. The companies entered into $1,816,446 (€1,539,780) in new note agreements during 2020 and the principal balance of the notes was $8,179,468 (€6,354,780) at December 31, 2021 and 2020.

11. NOTES PAYABLE AND LONG-TERM DEBT (Continued)

Intercompany Notes (Continued)

With respect to the principal amount of debt, both FRX Polymers, Inc. and FRX Polymers NV recorded interest expense and income, respectively, on the intercompany notes of $368,817 (€326,271) and $299,982 (€246,493) for the years ended December 31, 2021 and 2020, respectively. Accrued interest was $2,678,403 (€2,369,900) and $2,310,118 (€1,882,737) at December 31, 2021 and 2020, respectively.

The intercompany notes and the related interest expense and income are eliminated in consolidation.

12. CONVERTIBLE NOTES PAYABLE

2020 Convertible Notes

Initial Closing and Additional Tranche Closings

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." During 2020, the Company received the initial closing notes of $1,000,000 from the 2020 Noteholders. The notes are referred to as the "2020 Convertible Notes" and accrue simple interest at a rate of 5% with a maturity date of October 29, 2021. The Convertible Note and Warrant Purchase Agreement provided the investors the option to fund and additional tranche, "the Second Tranche Closing", any time on or after January 1, 2021, in the total aggregate amount of $750,000, which was contingent upon certain operating milestones as provided for in the Convertible Note and Warrant Purchase Agreement. If the Second Tranche Closing occurred on or before October 29, 2021, then the maturity date of the 2020 Convertible Notes and 2019 Convertible Notes would be extended to October 29, 2023. In conjunction with the conditions being met, the Second Tranche Closing of $750,000 was funded at various dates during March and April 2021, and the maturity date of the 2020 and 2019 Convertible Notes was extended to October 29, 2023.

Optional Conversion

Upon written notice to the Company, each investor, on behalf of itself and no other investor, has the right to automatically convert the notes into that number of shares of the Company's 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").

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, has 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").

Financing costs associated with the issuance of the 2020 Convertible Notes totaled $59,250. These costs are being amortized as interest expense using the straight-line method through the maturity date. FRX Polymers, Inc. recorded interest expense of approximately $21,000 for the year ended December 31, 2021, and did not record interest expense related to the amortization of these financing costs for the year ended December 31, 2020. The remaining financing costs of $38,000 will be amortized as interest expense evenly through maturity on October 29, 2023.

12. CONVERTIBLE NOTES PAYABLE (Continued)

2020 Convertible Notes (Continued)

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 are exercisable into a variable number of shares based upon future qualified financing, the warrants qualify for treatment as a liability and are recorded at fair value at the reporting date. The fair value of the warrants at December 31, 2021 and 2020, is $3,427,236 and $1,990,335, respectively, based upon the Black-Scholes pricing model and is recorded as a liability. The change in fair value of the warrant liability is recorded as part of net income and totaled $1,436,901 and $1,990,335 for the years ended December 31, 2021 and 2020, respectively, related to the issuance of new warrants and the fair value of the existing warrants.

2019 Convertible Notes

Initial Closing and Additional Tranche Closings

During September 2019, the Company entered into an option agreement, the "Option and Support Agreement", and a convertible note purchase agreement, the "Convertible Note Purchase Agreement", with a lead investor, "the Lead Investor", and various other investors, some of whom were current investors, the "Other Investors." The Lead Investor and Other Investors are collectively referred to as the "2019 Noteholders." During 2019, the Company received the initial closing notes of $3,200,000 from the Lead Investor and $3,100,000 from the Other Investors, including $300,000 from the Chief Executive Officer (CEO) of the Lead Investor for a total of $6,300,000. The notes are referred to as the "2019 Convertible Notes." The 2019 Convertible Notes accrue simple interest at a rate of 5% and had a maturity date of December 31, 2022. The maturity date was subject to change based on certain provisions described on the following page.

The Convertible Note Purchase Agreement provides the Lead Investor the option to provide three additional tranches of funding at the following dates, which are contingent upon certain operating milestones provided for in the Convertible Note Purchase Agreement. The following were not exercised before expiration of the option:

(1) On or before October 31, 2020, the Lead Investor had the option to fund the second tranche closing of $1,000,000.

(2) On or before January 31, 2021, the Lead Investor had the option to fund the third tranche closing of $4,000,000.

(3) On or before July 31, 2021, the Lead Investor had the option to fund the fourth tranche closing of $2,200,000.

Buyer Option

As part of the Convertible Note Purchase Agreement, the Company granted the Lead Investor an unconditional and irrevocable option, "the Buyer Option", to acquire the Company by way of merger, as defined in the separate merger agreement.

Whether or not any of the tranche milestones were achieved, the Lead Investor had the option to fund the applicable tranche on or before the applicable dates and had the right to exercise the Buyer Option and had the right to exercise the Optional Conversion.

12. CONVERTIBLE NOTES PAYABLE (Continued)

2019 Convertible Notes (Continued)

Buyer Option (Continued)

In the event that the Lead Investor elects not to fully fund any tranche closing by the applicable date, whether or not the tranche milestones have been achieved, the Lead Investor forfeits its rights to exercise the Buyer Option or the Optional Conversion.

In the event the Lead Investor elects not to fund any of the tranches, the maturity date of all outstanding 2019 Convertible Notes would be the date that is twelve months after such failure to fund. The Other Investors may elect to be repaid on the maturity date or to convert their notes into equity of the Company on the terms of the Optional Conversion or terms otherwise agreed upon by the Company.

On October 29, 2020, the Lead Investor's right to exercise the Buyer Option and certain covenants of the agreement were terminated upon notice of a failure to fund. Certain provisions of the agreement were met before the maturity date of October 29, 2021 became effective, and the maturity date was further extended to October 29, 2023.

Optional Conversion

Upon written notice to the Company, each Other Investor, on behalf of itself and no Other Investor, each of the convertible notes, including all of the outstanding principal and unpaid accrued interest, shall be automatically converted into that number of shares of the Company's Series 1 Basic Common Stock determined by dividing the original principal of the notes divided by the Conversion Price as defined in the agreement (the "Optional Conversion").

Financing costs associated with the issuance of the 2019 Convertible Notes totaled $100,000. These costs are being amortized as interest expense using the straight-line method through the maturity date. Amortization expense was approximately $13,000 and $55,000 for the years ended December 31, 2021 and 2020, respectively. The remaining financing costs of $32,000 will be amortized as interest expense evenly through maturity on October 29, 2023.

The Company recorded interest expense of $399,381 and $313,247 on the various Convertible Notes for the years ended December 31, 2021 and 2020, respectively. The outstanding principal and accrued interest, net of unamortized financing costs of $70,274 and $104,460, was $9,021,104 and $7,587,537 as of December 31, 2021 and 2020, respectively.

2020 and 2019 Convertible Note Exchange

On September 30, 2021, the Company received confirmation of the intent by the 2020 and 2019 Convertible Note holders to exchange each of its 2020 and 2019 Convertible Notes for common shares of FRX Polymers, Inc. conditioned upon the consummation of a merger in which a wholly-owned subsidiary of a Canadian public company would be merged into FRX Polymers, Inc. and in connection with the merger, the holders of outstanding equity securities of FRX Polymers, Inc. would exchange the securities for common shares of the Canadian public company ("NewCo"). As a condition precedent to the merger, FRX Canada, a newly formed subsidiary of FRX Polymers, Inc., would affect the issuance and sale of convertible debentures and a brokered private placement of subscription receipts resulting in aggregate gross proceeds of at least CAD $10,000,000 (the "Concurrent Financing") and these securities would be exchanged for common shares of NewCo.

12. CONVERTIBLE NOTES PAYABLE (Continued)

2020 and 2019 Convertible Note Exchange (Continued)

The outstanding balance of the 2020 Convertible Notes, including unpaid principal and accrued interest through a date to be confirmed in the definitive agreements, would be exchanged for common shares of NewCo at the lower of (i) a price determined by dividing $24,000,000 by the total number of shares of FRX Polymers, Inc. common stock outstanding on a fully-diluted basis immediately prior to such conversion or (ii) a price determined such that the number of common shares of NewCo the 2020 Convertible Note holder receives in connection with the merger represents a 40% discount to the price paid for the securities issued in the Concurrent Financing. The 2020 Convertible Note holder's detachable common stock warrants of FRX Polymers, Inc. would be exchanged for a new warrants issued by NewCo entitling the holder to acquire, on substantially the same terms and conditions as were applicable to the existing warrant, the number of common shares of NewCo equal to the number of shares of common shares of FRX Polymers, Inc. the holder would have been entitled to acquire under the existing warrant, as adjusted for any exchange ratio provided for in the definitive agreements related to the merger. The outstanding balance of the 2019 Convertible Notes, including unpaid principal and accrued interest through a date to be confirmed in the definitive agreements, would be exchanged for common shares of NewCo at a price determined by dividing $24,000,000 by the total number of shares of FRX Polymers, Inc. common stock outstanding on a fully-diluted basis immediately prior to such conversion.

13. CONVERTIBLE DEBENTURES

2021 Convertible Debentures

On September 14, 2021, FRX Canada closed the first of four tranches of convertible debentures ("the 2021 Convertible Debentures") for gross proceeds of $3,086,898 (CAD $3,953,000). Cash fees of $131,683 (CAD $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 are convertible to common shares of the resulting issuer of the reverse merger (see Note 28) 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, which is recorded as and included in the change in fair value of derivative liability in the accompanying consolidated financial statements.

Financing costs associated with the issuance of the 2021 Convertible Debentures totaled $131,683 (CAD $168,630). These costs are being amortized as interest expense using the straight-line method through the maturity date. FRX Canada recorded interest expense of approximately $20,000 related to the amortization of these financing costs for the year ended December 31, 2021. The remaining financing costs of $112,000 will be amortized as interest expense evenly through maturity on September 14, 2023.

FRX Canada recorded interest expense of $73,747 related to the 2021 Convertible Debentures for the year ended December 31, 2021. The outstanding principal and accrued interest, net of unamortized financing costs of $112,048, totaled $3,048,597 as of December 31, 2021.

13. CONVERTIBLE DEBENTURES (Continued)

2021 Convertible Debentures (Continued)

Detachable Stock Purchase Warrants

As part of the 2021 Convertible Debenture financing, the Company issued detachable stock purchase warrants to purchase the Company's common stock. The warrants provide the finders 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 are exercisable into a variable number of shares based upon future initial public offering, the warrants qualify for treatment as a liability and are recorded at fair value at the reporting date. The fair value of the warrants at December 31, 2021, is $89,411 based upon the Black-Scholes pricing model and is recorded as Common Stock Warrant Liability – FRX Polymer Canada, Inc. within the accompanying consolidated statement of financial position. Changes in fair value are recorded to net income.

2021 Convertible Debentures – Non-Interest Bearing

On December 16, 2021, FRX Canada closed an additional tranche of non-interest bearing convertible debentures ("the 2021 Convertible Debentures - Non-Interest Bearing") for gross proceeds of CAD $70,000. The 2021 Convertible Debentures - Non-Interest Bearing were issued in denominations of CAD $1,000, do not bear interest, and have a maturity date of December 16, 2023. Immediately prior to an initial public offering, the 2021 Convertible Debentures - Non-Interest Bearing will be converted into units of FRX Canada (each a "**Unit**") at a price of CAD $1.00 per Unit. Each Unit will be comprised of one common share in the capital of FRX Canada and one-half of one common share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of $1.30 for a period of twenty-four months following the date of the initial public offering. The outstanding principal was $54,663 as of December 31, 2021. The Company assessed that imputed interest was not material on the non-interest bearing notes using the Company's incremental borrowing rate of 5%.

	2021
2021 Convertible debentures	$ 3,160,645
Less - unamortized debt issuance costs	(112,048)
2021 Convertible debentures, net of debt issuance costs	$ 3,048,597
2021 Convertible debentures - derivative liability	$ 902,210
2021 Convertible debentures - non-interest bearing	$ 54,663

14. 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.

14. SHARE-BASED COMPENSATION (Continued)

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 is 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. There were no stock options granted in 2020. As of December 31, 2021, no shares remain available to grant.

The following table summarizes the stock option activity of the 2010 Plan for the years ended December 31, 2021 and 2020:

	Number of Shares	Weighted-Average Exercise Price
Outstanding at December 31, 2019	47,791	$ 20.19
Forfeited	(3,219)	$ 15.85
Outstanding and vested at December 31, 2020	44,572	$ 20.51
Granted	1,321,622	$ 0.24
Forfeited	(44,572)	$ 20.51
Outstanding at December 31, 2021	1,321,622	$ 0.24
Vested and exercisable at December 31, 2021	-	

The weighted-average contractual term of stock options outstanding at December 31, 2021, was 9.75 years.

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 $134,020 in share-based compensation expense related to the stock options during the year ended December 31, 2021. As of December 31, 2021, there was $174,809 in remaining unrecognized compensation cost related to non-vested share-based compensation arrangements that will be recognized over a weighted-average remaining period of 0.33 years based on a successful listing of the Company on the Toronto stock exchange.

15. CAPITAL STOCK

As amended, the Company's Board has authorized the issuance of 51,500,000 shares of Common Stock, $0.01 par value per share, divided into (1) 17,000,000 shares of "Series 1 Bridge Common Stock"; (2) 7,000,000 of "Series 1 Mezzanine Common Stock"; (3) 21,000,000 shares of "Series 1 Basic Common Stock"; (4) 4,000,000 shares of "Series 2 Mezzanine Common Stock"; 2,000,000 share of "Series 2 Bridge Common Stock; and (6) 500,000 shares of "Series 2 Basic Common Stock."

15. CAPITAL STOCK (Continued)

The Series 1 Mezzanine Common Stock, Series 1 Bridge Common Stock and Series 1 Common Stock are collectively referred to as the "Voting Common Stock" and the Series 2 Mezzanine Common Stock, Series 2 Bridge Common Stock and Series 2 Common Stock are collectively referred to as the "Non-Voting Common Stock." The Voting Common Stock and Non-Voting Common Stock are collectively referred to as "Common Stock."

The Series 1 Mezzanine Common Stock and the Series 2 Mezzanine Common Stock are collectively referred to as the "Mezzanine Common Stock" and the Series 1 Bridge Common Stock and the Series 2 Bridge Common Stock are collectively referred to as the "Bridge Common Stock" and the Series 1 Common Stock and the Series 2 Common Stock are collectively referred to as the "Basic Common Stock" and presented this way in the accompanying consolidated financial statements.

Common Stock

The following summarizes certain features of the Company's Common Stock:

Liquidation

In the event of any liquidation, dissolution or winding-up of the Company, all of the remaining assets of the Company available for distribution to its stockholders shall be distributed among the holders of the outstanding shares of Common Stock on a pari passu basis provided that:

- Once the holders of Bridge Common Stock have received a cumulative distribution amount equal to $11.77 per share (subject to appropriate adjustment in the event of a stock split, stock dividend, combination, reclassification, or similar event affecting the Bridge Common Stock), the holders of Bridge Common Stock shall no longer be entitled to receive any such distributions made to stockholders, except as further provided, and thereafter the holders of Mezzanine Common Stock shall be entitled to receive the Preferred Distribution Percentage (defined below) of all such distributions and the holders of Basic Common Stock shall be entitled to receive the Basic Distribution Percentage (defined below) of all such distributions, in each case allocated to such holders on a pari passu basis. Provided further that;

- Once the holders of Mezzanine Common Stock have received a cumulative distribution amount equal to $12.51 per share (subject to appropriate adjustment in the event of a stock split, stock dividend, combination, reclassification, or similar event affecting the Mezzanine Common Stock), the holders of Mezzanine Common Stock shall no longer be entitled to receive any such distributions made to stockholders, except as further provided, and thereafter the holders of Bridge Common Stock shall be entitled to receive the Preferred Distribution Percentage of all such distributions and the holders of Basic Common Stock shall be entitled to receive the Basic Distribution Percentage of all such distributions, in each case allocated to such holders on a pari passu basis. Provided further that;

- Once the holders of Bridge Common Stock have received a cumulative distribution amount equal to $35.85 per share (subject to appropriate adjustment in the event of a stock split, stock dividend, combination, reclassification, or similar event affecting the Bridge Common Stock), the holders of Mezzanine Common Stock shall again be entitled to receive any such distributions made to stockholders and all such distributions shall again be made to all of the holders of the outstanding shares of Common Stock on a pari passu basis.

15. CAPITAL STOCK (Continued)

Common Stock (Continued)

Liquidation (Continued)

The "Preferred Distribution Percentage" shall mean a ratio, determined by taking the total number of Mezzanine Common Stock shares and Bridge Common Stock shares outstanding as of the date of such distribution, divided by the total number of shares of Common Stock outstanding as of the date of such distribution.

The "Basic Distribution Percentage" shall mean a ratio, determined by taking the total number of Basic Common Stock shares outstanding as of the date of such distribution, divided by the total number of shares of Common Stock outstanding as of the date of such distribution.

Voting Rights

The holders of Voting Common Stock are entitled to vote on all matters submitted to stockholders for a vote and are entitled to one (1) vote for each share of Voting Common Stock held of record by such holder on all matters on which stockholders generally are entitled to vote.

Dividends

Dividends may be declared and paid on the Common Stock at such times and in such amounts as the Board of Directors in its discretion shall determine. As of December 31, 2021 and 2020, no dividends were accrued or paid.

Redemption

The Company's Common Stock does not contain any redemption provisions other than those listed in liquidation on the previous page.

Restricted Stock

In October 2021, the Company issued 3,928,378 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 December 31, 2021, all restricted shares issued remained unvested and become fully vested upon consummation of a merger between FRX Polymers, Inc. and a capital pool company resulting in a new parent company listed on the Toronto Venture Stock Exchange. If no such transaction occurs by December 31, 2022, the awards will lapse. The Company assessed the features of the restricted stock awards in accordance with IFRS 2 – *Share-based Payment*. As the awards have both performance based conditions as well as explicit and implicit service based conditions, the Company recorded the issuance of Basic Common Stock at grant date fair value of $942,811 as deferred compensation within equity. The Company recognizes the associated compensation cost of the award over the requisite service period. The Company recognized $409,145 in share-based compensation expense related to the restricted stock for the year ended December 31, 2021. At December 31, 2021, there remains $533,666 in deferred compensation expense which is expected to be recorded as compensation cost in 2022 upon a successful listing on the Toronto Venture Stock Exchange (see Note 28).

16. INCOME TAXES

No provision for Federal or state income taxes has been recorded for the year ended December 31, 2021 or 2020, as the Company has incurred cumulative net operating losses since inception. As of December 31, 2021, the Company has Federal and state net operating losses of $47,480,000 and $45,543,000, respectively. As of December 31, 2021, the Company has Federal and state research and development credits to carry forward in the amount of $1,090,000. The Company also had foreign net operating losses for which the Company has not provided any tax benefit or valuation allowance. The Company neither has any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Company has determined that it cannot recognize deferred tax assets on the tax losses carried forward.

Utilization of the net operating losses and research and development credits may be subject to a substantial annual limitation under Section 382 of the Internal Revenue Code of 1986 (Section 382) due to ownership change limitations that have occurred previously or could occur in the future, as well as similar state provisions. These ownership changes may limit the amount of net operating losses and research and development credit carryforwards that can be utilized annually to offset future taxable income and tax, respectively.

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

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

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

17. 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.

	2021	2020
Net comprehensive loss attributable to controlling interest	$ (8,571,199)	$ (6,600,612)
Weighted-average number of common shares outstanding	24,931,780	23,949,685
Loss per share: basic and diluted	$ (0.34)	$ (0.28)

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 years ended December 31, 2021 and 2020, as they are anti-dilutive.

18. COMMITMENTS

Joint Development Agreement

During 2013, the Company, through its wholly-owned subsidiary, FRX Polymers NV, entered into a contract with an engineering firm for the purpose of the engineering, procurement and construction ("EPC Contract") of the specialty polymer plant, as previously discussed, on the Antwerp, Belgium land in which the Company has a "right to build" contract (see paragraphs above). The Company spent approximately €21,300,000 ($26,135,100) for the engineering, equipment and construction of the plant. As part of this agreement, the engineering firm extended to the Company a deferred payment plan in the form of an unsecured, subordinated loan for $3,391,000 (€3,000,000) of the $24,077,520 (€21,300,000) total. The loan, following a one-year grace period from plant completion, as agreed to, will bear interest at a rate of 5% (see Note 11).

The Company also participated in a Joint Scale-Up and Development Agreement with the same engineering company. Activities performed under this agreement included the operation of a production facility in Switzerland for the Company's subsidiary, FRX Polymers GmbH, which has since been liquidated. In exchange for the engineering company's contribution, the Company is obligated to pay a 1.25% royalty on combined revenues relating to the manufacture and sale of product received from January 1, 2014 to December 2016, and 1.5% thereafter. On April 8, 2021, the royalty agreement was amended, and the payment of the outstanding and future royalties was extended to December 31, 2030, and is included within the fixed obligation loan repayment schedule (see Note 11). Existing royalties and accrued interest were forgiven as part of the associated debt modification and are included in gain on debt modification in the accompanying consolidated statement of profit and loss and comprehensive loss for the year ended December 31, 2021. Royalty expense totaled approximately $78,122 for the year ended December 31, 2020, and accrued royalties were $202,157 as of December 31, 2020.

19. 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.

19. CAPITAL RISK MANAGEMENT (Continued)

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

20. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, trade receivables, trade payables, accrued expenses, notes payable, and convertible notes payables and are measured and presented at amortized cost. The carrying amounts of these instruments at December 31, 2021 and 2020, approximate fair value.

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

Credit risk - arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk from customers. In order to reduce its credit risk, the Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. Three and four customers represented approximately 53% and 66% of the outstanding trades receivable balance as of December 31, 2021 and 2020, respectively. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

Currency risk - the risk to the Company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. For each 1.00% change in the Euro exchange rate, based on the monetary assets and liabilities held at year end, the Company's net earnings would be impacted by $40,417 and $10,711 during the years ended December 31, 2021 and 2020, respectively.

Interest Rate risk - the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company is exposed to interest rate cash flow risk primarily through its floating interest credit facility as the required cash flow to service the debt will fluctuate interest rates change, and, in particular, the Euribor rate which is used by its European bankers. Fixed-interest instruments are subject to fair value risk. The Company's credit facilities bear variable rate interest. For each 0.25% change in rate, the Company’s net earnings would be impacted by $26,090 and $28,669 during the years ended December 31, 2021 and 2020, respectively.

Other price risk - 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.

20. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk - 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. During the years ended December 31, 2021 and 2020, the Company had positive working capital of $346,719 and $1,942,416, respectively (see Note 1).

21. COMPRENSEIVE 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 years ended December 31, 2021 and 2020, consisted of foreign currency translation adjustments. Accumulated other comprehensive loss consisted of the following at December 31:

	2021	2020
Beginning accumulated other comprehensive loss	$ (503,148)	$ (96,971)
Foreign currency translation adjustment	165,923	(406,177)
Ending accumulated other comprehensive loss	$ (337,225)	$ (503,148)

22. 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 $25,000 and $24,000 for the years ended December 31, 2021 and 2020, respectively.

23. 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, 2021 and 2020, administrative expenses incurred under this agreement totaled approximately $36,000 and $46,000, respectively, and are recorded in operating expenses in the accompanying consolidated statements of profit or loss and comprehensive loss. Approximately $11,000 of these expenses were recorded in accounts payable in the accompanying consolidated statements of financial position as of December 31, 2020. There were no related party amounts included in accounts payable as of December 31, 2021.

23. RELATED PARTY TRANSACTIONS (Continued)

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, 2021, consulting expenses incurred under this agreement totaled approximately $27,000 and are recorded in operating expenses in the accompanying consolidated statement of profit or loss and comprehensive loss and in accounts payable in the accompanying consolidated statement of financial position as of December 31, 2021.

The Company has a services agreement with the previous Chairman of the Board (a stockholder of the Company). Fees are billed based on a fixed quarterly amount and the Company is responsible for reasonable and necessary expenses associated with services performed. For the years ended December 31, 2021 and 2020, expenses incurred under this agreement for services totaled approximately $18,000 and $36,000, respectively, and are recorded in operating expenses in the accompanying consolidated statements of profit or loss and comprehensive loss. Approximately $7,500 and $3,000 of these expenses are recorded in accounts payable and accrued expenses in the accompanying consolidated statements of financial position as of December 31, 2021 and 2020, respectively.

Compensation of key management personnel for the Company:

	2021	2020
Salaries	$ 405,420	$ 295,064
Postemployment, health and other benefits	34,872	26,008
Other professional services	215,982	295,957
Director and employee stock compensation	543,165	-
Total	$ 1,199,439	$ 617,029

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

The Company rents office facilities as a tenant-at-will from a related party. This lease was short term in nature and, as such, was not included as a right-to-use asset. The Company has agreed to make monthly payments of $8,500 as a tenant-at-will. Rent expense in 2021 and 2020 was approximately $168,000 and $104,000, respectively.

24. OPERATING EXPENSES

Operating expenses consist of the following at December 31:

	2021			
	Adminis-trative Expenses	Selling and Marketing	Research	Total
Personnel expenses	$ 1,142,288	$ 518,624	$ 543,473	$ 2,204,385
General and administrative	1,205,191	102,364	219,807	1,527,362
Depreciation of right-of-use assets	26,219	-	-	26,219
Amortization of intangible assets	42,592	-	-	42,592
	$ 2,416,290	$ 620,988	$ 763,280	$ 3,800,558

	2020			
	Adminis-trative Expenses	Selling and Marketing	Research	Total
Personnel expenses	$ 841,630	$ 326,385	$ 686,190	$ 1,854,205
General and administrative	818,356	131,468	154,621	1,104,445
Depreciation of right-of-use assets	24,608	-	-	24,608
Amortization of intangible assets	50,000	-	-	50,000
	$ 1,734,594	$ 457,853	$ 840,811	$ 3,033,258

Personnel expenses comprise the following:

	2021	2020
Wages and salaries	$ 1,412,304	$ 1,643,901
Stock compensation	543,165	241
Fringe benefits, health and other	154,113	95,723
Taxes and workers compensation	94,803	114,340
	$ 2,204,385	$ 1,854,205

25. 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. 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 council 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. The Company has determined that the legal fees associated with this matter are not anticipated to be material.

Subsequent to year end, the Company received formal confirmation of a stay in the case relating to the Flemish Government's claim as described (see Note 28).

The COVID-19 pandemic developed rapidly in 2020, with measures taken by various governments to contain the virus spread which in turn negatively impacted economic activity nationally and worldwide. There is considerable uncertainty for the remainder of 2022 and thereafter whereby the economic impact on the Company cannot be reasonably predicted at this time.

26. GRANT REVENUE - PAYCHECK PROTECTION PROGRAM

During 2021 and 2020, the Company applied for, and was awarded, forgivable loans of $320,075 and $313,100, respectively, from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) through a bank. The funds were used to pay certain payroll costs, including benefits, as well as rent and utilities during the covered period as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period, with any unforgiven amounts due over a two-year period with annual interest at 1%. Any required repayment schedule will be deferred until the Small Business Administration (SBA) notifies the lender of the amount of the loan that will be forgiven, provided that the Company submits the application for forgiveness within ten months after the completion of the covered period. There are no covenants with which to comply and the notes are unsecured. There was no accrued interest on the notes payable as of December 31, 2021 and 2020, as it would be immaterial to the overall consolidated financial statements.

The Company had determined that, at December 31, 2021 and 2020, it was probable the Company would meet all the conditions of the 2021 and 2020 PPP loan forgiveness. As such, the Company recognized $320,075 and $313,100 as an offset against salaries and wages (qualifying expenses) within the accompanying consolidated statements of profit or loss and comprehensive loss.

27. GEOGRAPHICAL INFORMATION

	2021	2020
Revenue from External Customers:		
Asia	$ 3,980,633	$ 3,173,376
Europe	1,319,106	1,687,453
Other	820,350	416,010
Total	$ 6,120,089	$ 5,276,839
Noncurrent Assets:		
Patents, net:		
United States	$ 416,376	$ 473,783
Intangible assets, net:		
United States	$ 386,832	$ 285,759
Deferred offering costs:		
United States	$ 564,818	$ -
Right-of-use assets:		
Belgium	$ 510,289	$ 569,188
Plant and equipment, net:		
United States	$ 16,477	$ 35,403
Belgium	$ 19,126,204	$ 21,786,145

28. SUBSEQUENT EVENTS

Financing Activities

During February 2022, FRX Polymer (Canada) Inc. (“Finco”) completed a brokered private placement (the “Private Placement”) of an aggregate of 5,899,000 Subscription Receipts at a subscription price of CAD$ 1.00 per Subscription Receipt for aggregate gross proceeds of $5,899,000. Finco also completed the non-brokered sale of: (i) 115,000 Subscription Receipts, at a subscription price of CAD $1.00 per Subscription Receipt for aggregate gross proceeds of $115,000, and (ii) $482,029 principal amount of unsecured non-interest-bearing convertible debentures (the “Finco New Convertible Debentures”, and collectively with the Finco Convertible Debentures, the “Convertible Debentures”).

During April 2022, Finco completed an additional private placement offering of CAD $377,000 Finco New Convertible Debentures. Immediately prior to closing of the Business Combination discussed below, each Subscription Receipt and Finco New Convertible Debenture was deemed to be exercised or converted at CAD $1.00 without payment of any additional consideration and without further action on the part of the holders thereof, into one unit of Finco, comprised of one Finco Share and one-half of one Finco Share purchase warrant.

During May 2022, the Company completed the previously announced business combination transaction and changed its name to FRX Innovations Inc. (“FRXI”). Pursuant to the business combination, FRX Polymer (Canada) Inc. (“Finco”), a wholly-owned Canadian subsidiary of FRX and 13448061 Canada Inc. (“Pubco Sub”), a wholly-owned subsidiary of Good2Go RTO Corp, completed a three-cornered amalgamation and FRXI, FRX and G2G Merger Sub, Inc. (“Merger Sub”) completed a reverse triangular merger. Subject to receiving final Exchange acceptance, the common shares of the Resulting Issuer (the “Resulting Issuer Shares”) are expected to resume trading on the Exchange on or about May 24, 2022, under the new name “FRX Innovations Inc.”, on a post-Consolidation (as defined below) basis and under the new trading symbol “FRXI”. In addition, it is anticipated that warrants of the Resulting Issuer (the “Resulting Issuer Warrants”) will also commence trading on the Exchange under the symbol “FRXI.WT” on or about May 24, 2022, subject to the Exchange providing final approval of the listing of the Resulting Issuer Warrants.

28. SUBSEQUENT EVENTS (Continued)

Contingencies and Commitments

During May 2022, the Company received formal confirmation of a stay in the case relating to the Flemish Government's claim until June 30, 2023 (see Note 25).