REPLICEL LIFE SCIENCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022, 2021 and 2020

(Stated in Canadian Dollars)

Mao & Ying LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of ***RepliCel Life Sciences Inc.***

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of RepliCel Life Sciences Inc. and subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2022, and the related consolidated statements of comprehensive loss, consolidated statements of changes in equity, and consolidated cash flows for the year period ended December 31, 2022, and the related notes, including a summary of significant accounting policies and other explanatory information (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for each of the year in the year period ended December 31, 2022, in conformity with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Emphasis of Matter Regarding Going Concern Uncertainty

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2(a) to the consolidated financial statements, the Company has accumulated losses of $42,974,870 since its inception and incurred a loss of $743,288 during the year ended December 31, 2022. These events or conditions, along with other matters as set forth in Note 2(a), indicate that a material uncertainty exists that may cast substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2(a). The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the

critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Royalty Payable – Refer to Notes 3 and 8 to the consolidated financial statements.

Critical Audit Matter Description

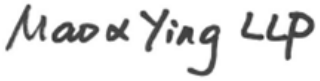
As described in Note 3 of the consolidated financial statements, the Company makes estimates of the expected timing of the payment of royalties as part of the three strategic agreements signed with Mainpointe Pharmaceuticals, LLC ("Mainpointe"). The Company has provided MainPointe with a right to participate in the Company's royalty revenue stream up to a maximum payout of USD$16 million, and certain distribution rights of RepliCel Injector Product Line in the United States. Management is required to make an estimate to determine the timing of the Company's royalty revenue stream up to USD$16 million.

During 2022, management reassessed its royalty revenue projection based on newer information available and determined a change to the commencement date of the Maintpointe royalty revenue payments, which was originally estimated to start from January 2024, is required. Management estimated the new commencement date to be January 2026 due to changes in the estimated time for clinical trials of certain related products under the royalty payment obligation.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the testing of the royalty payable estimate included the following, among others:

- We inquired of management to understand the underlying reasons for the change and assessed for reasonableness management's estimates regarding the expected timing of the Company's commercial production of the products under its royalty obligation by comparing to industry data.
- We reviewed management's accounting analysis regarding its accounting treatment of the change in estimate.
- We performed recalculation of the accretion expenses recognized and the gain resulting from the change in estimate for the royalty payable.



Chartered Professional Accountants

Vancouver, Canada,
May 1, 2023

We have served as the Company's auditor since December 2022.

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Report of Independent Registered Public Accounting Firm

To the shareholders and board of directors of RepliCel Life Sciences Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of RepliCel Life Sciences Inc. and subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2021, the consolidated statements of comprehensive loss, changes in equity (deficiency), and cash flows for the years ended December 31, 2021 and 2020, and the related notes, including a summary of significant accounting policies and other explanatory information (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021, and the results of its operations and its cash flows for the years ended December 31, 2021 and 2020, in conformity with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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 2 (a) to the consolidated financial statements, at December 31, 2021, the Company had accumulated losses of $42,231,642 since its inception and incurred a loss of $4,073,315 during the year ended December 31, 2021. These events or conditions, along with other matters as set forth in Note 2 (a), indicate that a material uncertainty exists that may cast substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2 (a). The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. Further, we are required to be independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and to fulfill our other ethical responsibilities in accordance with these requirements.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimated made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO Canada LLP

Chartered Professional Accountants
Vancouver, British Columbia

June 28, 2022

We served as the Company's auditor from 2010 to 2022.

REPLICEL LIFE SCIENCES INC.
Consolidated Statements of Financial Position
(Stated in Canadian Dollars Unless Otherwise Stated)

As at	Notes	December 31, 2022	December 31, 2021
Assets			
Current assets			
Cash and cash equivalents		**$ 413,025**	**$ 221,188**
Guaranteed investment certificate		**17,250**	**17,250**
Sales taxes recoverable		**46,795**	**25,867**
Prepaid expenses and deposits		**123,233**	**93,363**
Contract asset	7	**35,374**	**35,374**
		635,677	**393,042**
Non-current assets			
Contract Asset	7	**160,103**	**195,475**
Equipment	6	**2,438**	**3,277**
Total assets		**$ 798,218**	**$ 591,794**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	13, 15	**$ 1,029,726**	**$ 708,563**
Contract liability	7	**353,735**	**353,735**
Preference shares	9	**689,290**	**611,386**
		2,072,751	**1,673,684**
Non-current liabilities			
CEBA loan payable	10	**40,956**	**34,255**
Deferred government grant income	10	**5,636**	**8,454**
Put liability	7	**1,370,038**	**1,113,853**
Contract liability	7	**1,601,010**	**1,954,746**
Royalty payable	8	**1,623,088**	**2,649,181**
Total liabilities		**6,713,479**	**7,434,173**
Shareholders' deficit			
Common shares	12	**31,661,019**	**30,291,486**
Contributed surplus	12	**5,398,590**	**5,097,777**
Accumulated deficit		**(42,974,870)**	**(42,231,642)**
Total shareholders' deficiency		**(5,915,261)**	**(6,842,379)**
Total liabilities and shareholders' deficiency		**$ 798,218**	**$ 591,794**
Continuance of Operations	2(a)		
Commitments and Contingencies	16		
Events after the Reporting Date	20		

Approved on behalf of the Board:

/s/ "David Hall" Director

/s/ "Andrew Schutte" Director

The accompanying notes form an integral part of these consolidated financial statements.

REPLICEL LIFE SCIENCES INC.
Consolidated Statements of Comprehensive Loss
(Stated in Canadian Dollars Unless Otherwise Stated)

For the year ended	December 31, 2022	December 31, 2021	December 31, 2020
Revenue			
Licensing fees (Note 7)	$ **353,735**	$ 353,735	$ 353,735
Expenses			
Research and development (Note 13)	**(623,964)**	(1,149,170)	(819,403)
General and administrative (Note 13)	**(1,125,282)**	(1,505,873)	(884,704)
Loss before other items	**(1,395,511)**	(2,301,308)	(1,350,372)
Other items:			
Accretion and dividends on preference shares (Note 9)	**(77,904)**	(141,350)	(68,486)
Accretion on CEBA loan (Note 10)	**(6,701)**	(5,528)	-
Accretion on put liability (Note 7)	**(256,185)**	(219,236)	(176,085)
Accretion on royalty payable (Note 8)	**(2,031,758)**	(732,069)	-
Foreign exchange loss	**(288,905)**	(45,741)	(8,605)
Gain on debt settlement (Note 12(b)(iii))	**-**	31,137	800
Gain from change in royalty payable	**3,310,875**	-	-
Government grant income (Note 10)	**2,818**	2,819	22,105
Loss on re-measurement of derivative liability (Note 8)	**-**	(662,108)	-
Interest income	**43**	69	358
Net and comprehensive loss	$ **(743,228)**	$ (4,073,315)	$ (1,580,285)
Basic and diluted loss per share	$ **(0.02)**	$ (0.13)	$ (0.06)
Weighted average shares outstanding	**37,767,620**	32,486,770	26,961,067

The accompanying notes form an integral part of these consolidated financial statements.

REPLICEL LIFE SCIENCES INC.
Consolidated Statements of Cash Flows
For the year ended December 31, 2022
(Stated in Canadian Dollars Unless Otherwise Stated)

	December 31, 2022	December 31, 2021	December 31, 2020
Operating activities			
Net loss	**$ (743,228)**	$ (4,073,315)	$ (1,580,285)
Add items not involving cash:			
Accretion and accrued dividends	**77,904**	141,350	68,486
Accretion on CEBA loan	**6,701**	5,528	-
Accretion on royalty payable	**2,031,758**	732,069	-
Amortization of contract asset	**35,372**	35,372	35,374
Accretion on put liability (Note 7)	**256,185**	219,236	176,085
Unrealized foreign exchange loss (gain)	**253,024**	-	
Government grant income	**-**	-	(31,273)
Revenue from contract liability (Note 7)	**(353,735)**	(353,738)	(353,735)
Loss on re-measurement of derivative liability (Note 8)	**-**	662,108	-
Depreciation (Note 6)	**839**	1,148	1,574
Gain on debt settlement (Note 12(b)(iii))	**-**	(31,137)	(800)
Gain on changes in royalty payable	**(3,310,875)**	-	-
Stock-based compensation (Note 12 (e))	**69,056**	471,756	3,397
Changes in non-cash working capital balances:			
Sales taxes recoverable	**(20,928)**	2,376	(11,719)
Prepaid expenses and deposits	**(29,870)**	(22,903)	58,210
Accounts payable and accrued liabilities	**321,162**	(300,890)	858,207
Deferred government grant (Note 10)	**(2,818)**	(2,819)	11,273
Net cash used in operating activities	**(1,409,453)**	(2,513,859)	(765,206)
Investing activities			
Redemption (purchase) of guaranteed investment certificate	**-**	-	11,500
Net cash provided by investing activities	**-**	-	11,500
Financing activities			
Gross proceeds from Mainpointe Investment (Note 8)	**-**	2,698,884	-
Proceeds from exercise of share purchase warrants	**-**	1,800	-
CEBA loan	**-**	-	60,000
Gross proceeds on issuance of common shares (Note 12(b))	**1,601,290**	-	656,840
Promissory note issued (Note 11)	**-**	-	47,299
Net cash provided by financing activities	**1,601,290**	2,700,684	764,139
Increase in cash and cash equivalents during the year	**191,837**	186,825	10,433
Cash and cash equivalents, beginning of the year	**221,188**	34,363	23,930
Cash and cash equivalents, end of the year	**$ 413,025**	$ 221,188	$ 34,363

Supplemental Cash Flow Information Note 18

The accompanying notes form an integral part of these consolidated financial statements.

REPLICEL LIFE SCIENCES INC.
Consolidated Statements of Changes in Equity (Deficit)
For the year-ended December 31, 2022
(Stated in Canadian Dollars Unless Otherwise Stated)

	Common Stock Shares	Amount	Contributed Surplus	Accumulated Deficit	**Total**
Balance, January 1, 2022	**34,959,207**	**$ 30,291,486**	**$ 5,097,777**	**$ (42,231,642)**	**$ (6,842,379)**
Stock-based compensation (Note 12(e))	-	-	69,056	-	**69,056**
Common shares issued private placement	4,218,470	759,325	-	-	**759,325**
Common shares issued private placement	8,419,650	841,965	-	-	**841,965**
Contributed surplus – warrant reserve	-	(231,757)	231,757		**-**
Net loss for the year	-	-	-	(743,228)	**(743,228)**
Balance, December 31, 2022	**47,597,327**	**$ 31,661,019**	**$ 5,398,590**	**$ (42,974,870)**	**$ (5,915,261)**

REPLICEL LIFE SCIENCES INC.
Consolidated Statements of Changes in Equity (Deficit)
For the year-ended December 31, 2022
(Stated in Canadian Dollars Unless Otherwise Stated)

	Common Stock Shares	Amount	Contributed Surplus	Accumulated Deficit	**Total**
Balance, January 1, 2021	**29,951,419**	**$ 28,471,140**	**$ 4,626,021**	**$ (38,158,327)**	**$ (5,061,166)**
Common shares issued – Mainpointe (Note 8)	3,986,684	1,459,445	**-**	**-**	**1,459,445**
Common shares issued – warrant exercised (Note 12 (b) iv))	5,000	1,800	**-**	**-**	**1,800**
Common shares issued – shares for debt (Note 12 (b) iii)	889,612	311,364	-	-	**311,364**
Common shares issued – dividends on preference shares (Note 12 b) (ii)	126,492	47,737	-	-	**47,737**
Stock-based compensation (Note 12 (e))	-	-	471,756	-	**471,756**
Net loss for the year	-	-	-	(4,073,315)	**(4,073,315)**
Balance, December 30, 2021	**34,959,207**	**$ 30,291,486**	**$ 5,097,777**	**$ (42,231,642)**	**$ (6,842,379)**

	Common Stock Shares	Amount	Contributed Surplus	Accumulated Deficit	**Total**
Balance, January 1, 2020	24,715,818	$ 27,529,531	$ 4,622,624	$ (36,578,042)	**$ (4,425,887)**
Net loss for the year	-	-	-	(1,580,285)	**(1,580,285)**
Common shares issued – Note 12 (b) i)	3,649,110	656,840	-	-	**656,840**
Common shares issued – Note 12 (b) ii)	1,426,491	256,769	-	-	**256,769**
Common shares issued – Note 12 (b) ii)	160,000	28,000	-	-	**28,000**
Stock-based compensation – Note 12 (e)	-	-	3,397	-	**3,397**
Balance, December 31, 2020	29,951,419	$ 28,471,140	$ 4,626,021	$ (38,158,327)	**$ (5,061,166)**

The accompanying notes form an integral part of these consolidated financial statements.

1. Corporate Information

RepliCel Life Sciences Inc. (the "Company" or "RepliCel") was incorporated under the Ontario *Business Corporations Act* on April 24, 1967 but was continued from Ontario to British Columbia on June 22, 2011. Its common shares are listed for trading in Canada on the TSX Venture Exchange, trading under the symbol RP, and in the United States on the OTCQB, trading under the symbol REPCF.

RepliCel is a regenerative medicine company focused on developing autologous cell therapies that treat functional cellular deficits including chronic tendon injuries, androgenetic alopecia and skin aging.

The address of the Company's corporate office and principal place of business is Suite 900 – 570 Granville Street, Vancouver, BC, V6C 3P1.

2. Basis of Presentation

These consolidated financial statements for the year-ended December 31, 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and its interpretations. The consolidated financial statements for the years ended December 31, 2022, 2021 and 2020 were authorized for issue by the Board of Directors on May 1, 2023.

Subsidiaries are entities controlled by RepliCel. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. The accompanying consolidated financial statements include the account of RepliCel Life Sciences Inc. and its wholly-owned subsidiary, Trichoscience Innovations Inc. ("Trichoscience").

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency, unless otherwise indicated.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

a) Continuance of Operations

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue to realize its assets and discharge its obligations and commitments in the normal course of operations. At December 31, 2022, the Company is in the research stage, has accumulated losses of $42,974,870 since its inception and expects to incur further losses in the development of its business. The Company incurred a consolidated net loss of $743,228 during the year ended December 31, 2022. The Company will require additional funding to continue its research and development activities which may not be available, or available on acceptable terms. This will result in material uncertainties which cast substantial doubt about the Company's ability to continue as a going concern.

2. Basis of Presentation - *continued*

a) Continuance of Operations - *continued*

The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management has a plan in place to address this concern and intends to obtain additional funds by equity financing to the extent there is a shortfall from operations. While the Company is continuing its best efforts to achieve the above plans, there is no assurance that any such activity will generate funds for operations. See Note 20 – Events after the Reporting Date.

If the going concern assumptions were not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported net loss and the financial position classifications used.

3. Critical Accounting Estimates and Judgements

RepliCel makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the amounts reported in these financial statements are discussed below:

Share Based Payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating the fair value for share-based payment transactions are disclosed in Note 12(d).

Revenue Recognition

The Company applies the five-step model to contracts when it is probable that the Company will collect the consideration that it is entitled to in exchange for the goods and services transferred to the customer. For collaborative arrangements that fall within the scope of IFRS 15, the Company applies the revenue recognition model to part or all of the arrangement, when deemed appropriate. At contract inception, the Company assesses the goods or services promised within each contract that falls under the scope of IFRS 15, to identify distinct performance obligations. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when or as the performance obligation is satisfied. Significant judgment is involved in determining whether the transaction price allocated to the license fee should be recognized over the collaboration period or at the inception of the contract and the time period over which revenue is to be recognized.

3. Critical Accounting Estimates and Judgements - *continued*

Revenue Recognition - *continued*

To determine the price of Licensing and Collaboration Agreement (See Note 7 – Licensing and Collaboration Agreement – YOFOTO (China) Health Industry Co. Ltd.), the Company has to use judgment and make estimates in assessing the value assigned to the put options and of the warrants as attached to the placement (see Note 7 and 12).

Preference Shares

Replicel made estimates on the issuance of preference shares which are compound instruments that consist of both an equity and a liability component. Due to required redemption RepliCel preference shares were classified as liability. Management was required to make estimates to determine the fair value of the components of the preference share issuance at the date that it is issued. The Company also needed to make estimates on the effective interest on preference shares to calculate the amounts payable on redemption and inclusive of dividends.

Put Liability

Replicel made estimates on the issuance of the put liability disclosed in Note 7. The put liability is a financial liability recorded initially at the present value of the potential exercise price of the put. Management is required to make an estimate to determine the effective interest rate to appropriately discount the potential exercise price over the term of the put liability to its fair value at issuance. Subsequent to its initial recording, the put liability is accreted up to the full face value at the end of the term of the agreement.

Derivative Liability

Replicel made estimates in determining the fair value of the derivative liability disclosed in Note 8. The obligation to issue common shares to Mainpointe Pharmaceuticals LLC ("Mainpointe") at an agreed price at a future date is a derivative liability accounted for at FVTPL. The fair value of this derivative liability has been estimated based on the difference between the market value of the Company's shares to be issued under this arrangement at the reporting date compared to the agreed price of such shares. The derivative liability is fair valued at each measurement date until its settlement.

Royalty Payable

Replicel makes estimates of the expected timing of the payment of royalties as part of the three strategic agreements signed with Mainpointe. Under this royalty arrangement, RepliCel has provided Mainepointe with a right to participate in RepliCel's royalty revenue stream up to a maximum payout of USD$16 million and certain distribution rights of RepliCel Injector Product Line in the United States. Management is required to make an estimate to determine the timing of the Company's royalty revenue stream up to USD$16 million.

Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

3. Critical Accounting Estimates and Judgements - *continued*

In addition, the Company will recognize deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

4. Summary of Significant Accounting Policies

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

a) Cash and cash equivalents

Cash and cash equivalents include cash on hand with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. There were no cash equivalents as at December 31, 2022 and 2021.

b) Guaranteed investment certificate

Guaranteed investment certificate, bearing interest at 2.2%, matured on January 13, 2021 and was reinvested, bearing interest at 2.2% maturing on January 19, 2022. This was further renewed with a maturity date of January 19, 2023. This is used as collateral for the Company's credit card.

c) Equipment

Recognition and Measurement

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Gains and Losses

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within other income in profit or loss.

4. Summary of Significant Accounting Policies - *continued*

c) Equipment - *continued*

Depreciation

Depreciation and amortization rates applicable to each category of equipment on a declining basis are as follows:

Furniture and equipment	20%
Computer equipment	30%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

d) Impairment of Non-Financial Assets

Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amounts, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is assessed.

An impairment loss is charged to the profit or loss, except to the extent it reverses gains previously recognized in other comprehensive loss/income.

e) Revenue

IFRS 15 - Revenue from Contracts with Customers applies to all contracts with customers, except for contracts that are within the scope of other standards, such as leases, insurance, collaboration arrangements and financial instruments. In accordance with IFRS 15, the Company recognizes revenue when the Company's customer obtains control of promised goods or services, in an amount that reflects the consideration which the Company expect to receive in exchange for those goods or services.

At contract inception, the Company assesses the goods or services promised within each contract that falls under the scope of IFRS 15, to identify distinct performance obligations. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when or as the performance obligation is satisfied. For collaborative arrangements that fall within the scope of IFRS 15, the Company applies the revenue recognition model to part or all of the arrangement, when deemed appropriate.

In 2018, the Company entered into a license and collaboration agreement that falls within the scope of IFRS 15. Promised deliverables within this agreement may include grants of licenses, or options to obtain licenses, to our intellectual property, and participation on joint research and/or development committees. The terms of these agreements typically include one or more of the following types of payments to the Company:

4. Summary of Significant Accounting Policies - *continued*

e) Revenue - *continued*

Licenses of intellectual property including platform technology access: If the license to the Company's intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, the Company recognizes revenues from non-refundable, upfront fees allocated to the license when the license is transferred to the licensee and the licensee is able to use and benefit from the license. For licenses that are not distinct from other promises, the Company utilizes judgment to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time and, if over time, the appropriate method of measuring progress for purposes of recognizing revenue from non-refundable, upfront fees. The Company evaluates the measure of progress each reporting period and, if necessary, adjusts the related revenue recognition accordingly.

Milestone payments: At the inception of each arrangement that includes research, development or regulatory milestone payments, the Company evaluates whether the milestones are considered probable of being reached and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within the control of the Company or the licensee, such as regulatory approvals, are not considered probable of being achieved until those approvals are received. The transaction price is then allocated to each performance obligation on a relative stand-alone selling price basis, for which the Company recognizes revenue as or when the performance obligations under the contract are satisfied.

At the end of each subsequent reporting period, the Company re-evaluates the probability of achievement of such development milestones and any related constraint, and if necessary, adjusts its estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect license, collaboration and other revenues and earnings in the period of adjustment. The process of successfully achieving the criteria for the milestone payments is highly uncertain. Consequently, there is a significant risk that the Company may not earn all of the milestone payments from each of its strategic partners.

Research and development milestones in the Company's collaboration agreements may include some, but not necessarily all, of the following types of events:

- initiation of Phase 2 clinical trials; and
- achievement of certain other technical, scientific or development criteria.

Regulatory milestone payments may include the following types of events:

- filing of regulatory applications for marketing approval in the Licensed Territories; and
- marketing approval in major markets in the Licensed Territories.

Royalties and commercial milestones: For arrangements that include sales-based royalties, including commercial milestone payments based on pre-specified level of sales, the Company recognizes revenue at the later of: i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied). Achievement of these royalties and commercial milestones may solely depend upon performance of the licensee. Since inception to date, the Company has not recognized any royalty revenue or commercial milestone from any of its out-licensing arrangements.

4. Summary of Significant Accounting Policies - *continued*

e) Revenue - *continued*

If the expectation at contract inception is such that the period between payment by the licensee and the completion of related performance obligations will be one year or less, the Company assumes that the contract does not have a significant financing component.

Other than Licensing fees – revenue, the Company did not have any operating revenues for the years ended December 31, 2022, 2021 and 2020.

f) Basic and Diluted Loss per Share

Basic loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

The number of shares potentially issuable at December 31, 2022 that were not included in the computation of loss per share since their inclusion would have been anti-dilutive due to a loss in the periods presented. The total number of shares potentially issuable are 10,813,615 (2021: 4,644,555; 2020: 3,554,555) consisting of 2,675,000 (2021: 2,825,000; 2020: 1,730,000) outstanding stock options and 8,138,615 (2021:1,819,555; 2020: 1,824,555) warrants.

g) Income Taxes

Income tax expense is comprised of current and deferred tax. Current and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

4. Summary of Significant Accounting Policies - *continued*

g) Income Taxes- *continued*

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

h) Scientific research and development credit and government grants

Scientific research and development credits are received on expenditure and are generally deducted in arriving at the carrying amount of the asset purchased. Grants relating to expenditure are recorded in other income when received.

Government grants are assistance by government agencies in the form of transfers of resources to an entity in return for past or future compliance with certain conditions related to the operating activities of the entity. Grants from the government are recognized at the fair value where there is reasonable assurance that the grant will be received, and the Company will comply with all attached conditions. Government grants related to costs are deferred, if applicable, and recognized in profit or loss on a systematic basis in the periods in which the expenses are recognized.

i) Foreign Currency Translation

The financial statements are presented in Canadian dollars, which is also the functional currency.

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a re-valued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

4. Summary of Significant Accounting Policies - *continued*

j) Share-based Payments

The Company has adopted a stock option plan as described in (Note 12(c)). In addition, certain of the Company's founders have entered into option agreements with consultants and employees of the Company.

Equity-settled transactions

The cost of equity-settled transactions is recognized, together with a corresponding increase in contributed surplus in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized as stock-based compensation expense (Note 12(e)).

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is re-measured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized as employee benefits expense.

4. Summary of Significant Accounting Policies - *continued*

k) Leases

All leases are accounted for by recognizing a right-of-use asset in equipment and a lease liability except for leases of low value assets and leases with a duration of 12 months or less. There were no lease liabilities or right-of-use assets recognized as at December 31, 2022 and 2021.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. The Company determines its incremental borrowing rate as the rate of interest it would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Variable lease payments are expensed in the period to which they relate.

Further, lease terms are based on assumptions regarding extension terms that allow for operational flexibility and favorable future market conditions.

Subsequent to initial measurement, lease liabilities increase as a result of interest at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset, whichever is shorter.

l) Financial Instruments

Non-Derivative Financial Assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial Assets at FVTPL – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains or losses arising from changes in the fair value of the financial assets held at FVTPL are included in the income statement in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Financial Assets at FVTOCI – Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial Assets as Amortized costs – Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any expected credit loss provision. They are classified as current assets or non-current assets based on their maturity date. Cash and cash equivalents and guaranteed investment certificates are classified under financial assets measured at amortized costs.

Financial assets are derecognized when they mature or are sold, and subsequently all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the income statement. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

l) Financial Instruments - *continued*

Financial Liabilities

The Company measures all its financial liabilities as subsequently measured at amortized cost. Financial liabilities are recognized initially at fair value, net of transaction costs incurred and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where applicable, a shorter period.

Accounts payable and accrued liabilities, CEBA loan payable, promissory note, put liability, royalty payable and preference shares are classified as financial liabilities measured at amortized cost.

The Company recognized a put liability initially at an estimate of its fair value. The financial liability is measured at amortized cost and is accreted over the term of the put liability based on its effective interest rate.

In terms of preference shares, the Company recognized initially at face value and as at December 31, 2020, recorded the accretion based on 5 years. No amount was bifurcated to the equity conversion option on initial recognition. The financial instrument is measured at amortized cost. Given the Company has an obligation to redeem the preference shares in 5 years at $0.74/share, the effective interest was accreted for the redemption amount and accrued cumulative dividends that will be settled in the future.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial adoption, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For other receivables, the Company applies the simplified approach to providing the expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on the financial assets carried at amortized cost are reversed in subsequent periods. If the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. Given the nature and balances of the Company's receivables and the financial assets the Company has no material loss allowance as at December 31, 2021 and 2020.

m) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share options and warrants not denominated in a foreign currency are classified as equity instruments. Incremental costs directly attributable to the issue of new shares, warrants, or options are shown in equity as a deduction, net of tax, from the proceeds. The Company uses the residual value method of allocating the proceeds between common shares and warrants.

The Company's common shares are classified as equity instruments.

5. Accounting Standards, Amendments and Interpretations

New Standards, Amendments and Interpretations Effective for the first time

There were no new standards, interpretations and amendments effective from January 1, 2022 that had a material impact on these consolidated financial statements.

New Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are not mandatory until accounting periods beginning on or after January 1, 2022. They have not been early adopted in these consolidated financial statements, and are expected to affect the Company in the period of initial application. The Company intends to apply these standards from application date as indicated below:

IAS 1 – Classification of liabilities as current or non-current

IAS 1 has been revised to i) clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least 12 months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability; ii) clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and iii) make clear that settlement refers to the transfer to the counterparty of cash, equity instrument. The amendments are effective for the reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively.

The Company is currently evaluating the impact this standard is expected to have on its future consolidated financial statements.

There are no other IFRS or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Company.

(Stated in Canadian Dollars Unless Otherwise Stated)

6. Equipment

	Furniture and Equipment	Computer Equipment	Total
Cost:			
At December 31, 2021	$ 14,249	$ 41,751	**$ 56,000**
Additions	-	-	**-**
Disposals	-	-	**-**
At December 31, 2022	14,249	41,751	**56,000**
Depreciation:			
At December 31, 2021	12,808	39,915	**52,723**
Depreciation	288	551	**839**
At December 31, 2022	13,096	40,466	**53,562**
Net book value at December 31, 2022	$ 1,153	$ 1,285	**$ 2,438**

	Furniture and Equipment	Computer Equipment	Total
Cost:			
At December 31, 2020	$ 14,249	$ 41,751	**$ 56,000**
Additions	-	-	**-**
Disposals	-	-	**-**
At December 31, 2021	14,249	41,751	**56,000**
Depreciation:			
At December 31, 2020	12,447	39,128	**51,575**
Depreciation	361	787	**1,148**
At December 31, 2021	12,808	39,915	**52,723**
Net book value at December 31, 2021	$ 1,441	$ 1,836	**$ 3,277**

7. Licensing and Collaboration Agreement – YOFOTO (China) Health Industry Co. Ltd.

On July 10, 2018, the Company signed a definitive Licensing and Collaborative Agreement with YOFOTO (China) Health Industry Co. Ltd. ("YOFOTO") to commercialize three of RepliCel's programs in Greater China subject to certain Canadian and Chinese approvals (the "Transaction").

The Transaction represents an investment in RepliCel by YOFOTO with milestone payments, minimum program funding commitments, and sales royalties in exchange for an exclusive 15-year license to three of RepliCel products for Greater China (Mainland China, Hong Kong, Macau and Taiwan) (the "Territory").

As part of the transaction, YOFOTO invested CDN $5,090,005 in a private placement of RepliCel common shares at CDN $0.95 per share that included 20% warrant coverage with each warrant exercisable at CDN $0.95 per share for a period of two years. The warrants have not yet been exercised (Note 13).

The transaction structure also included milestone payments (of up to CDN $4,750,000), sales royalties, and a commitment by YOFOTO to spend a minimum of CDN $7,000,000 on the RepliCel programs and associated cell processing manufacturing facility over the five-year period commencing on July 10, 2018 in Greater China pursuant to a License and Collaboration Agreement. The License and Collaboration Agreement contains a provision permitting YOFOTO to put up to 2/3 of the shares issued in YOFOTO's initial investment back to the Company under certain conditions until January, 2027.

As part of the Transaction, the Company granted YOFOTO certain financing participation rights along with a board seat nomination. Upon YOFOTO meeting certain defined conditions, relevant Chinese patents, once issued in China, will be assigned to a YOFOTO-owned Canadian subsidiary, with detailed assignment reversion rights upon failure to meet defined targets. At the date of these financial statements, no such Chinese patents have been assigned to YOFOTO.

On October 9, 2018, the $5,090,005 private placement was closed and the Company issued YOFOTO 5,357,900 RepliCel common shares which represented 19.9% of RepliCel's then-issued common shares. In association with the YOFOTO deal, the Company agreed to pay a finders/success fee of ten percent (10%) of any upfront fees received by the Company and consequently, a fee of $509,001 was paid in this respect. In addition, the Company will be paying a success fee of five percent (5%) of any milestone fees and royalty fees received by the Company as a result of this License Agreement.
Contract Asset

The finders/success fee paid in connection with the YOFOTO Licensing and Collaboration Agreement of $509,001 was incurred to secure the YOFOTO License and Collaboration Agreement as well as to close the related private placement. Consequently, the $509,001 finders/success fee was accounted for as a contract asset, a share issuance cost and a cost incurred in connection with the put obligation.

The $509,001 fee was allocated between contract costs, share issuance costs and as an offset to the fair value of the related warrants and as an offset to the fair value of the put liability. The finders/success fee was allocated based on the relative fair values of these four items. The contract asset is being amortized over the same period of time that the Company recognizes the upfront license revenue.

Contract liability

The proceeds of $5,090,005 from the placement was allocated based on the fair values of:

- the common shares that were not subject to the put - $715,280 ($794,755 less costs of $79,476);
- the 1,071,580 warrants issued - $161,684 ($179,649 less costs of $17,965); and
- the put liability - $520,426 ($578,251 less costs of $57,825).

7. Licensing and Collaboration Agreement – YOFOTO (China) Health Industry Co. Ltd. - *continued*

The remaining $3,537,350 was allocated to Contract Liability to be recognized as License Fee revenue over a period of 10 years from the commencement date of the Agreement.

Put liability

Under the Agreement, YOFOTO has the right to put back all of the common shares acquired in the event that it is unable to complete human clinical trials for the licensed technologies for reasons that are outside of YOFOTO's controls on or before 8.5 years from the date of the Agreement. Although the put option can be exercised independently for each of the three licensed technologies at a rate of 1/3 per licensed technology (RCT-01, RCS-01 and RCI-02), the terms of the Agreement provide that only 2/3s of the shares can be put back to RepliCel under conditions that RepliCel does not control. As this represents an obligation to transfer cash under circumstances that are not within RepliCel's own control, the put option in connection with 2/3s of the shares issued under the Agreement is recognized as a liability.

The Company has recorded a put liability based on management's estimate of its fair value. The fair value of this put liability was determined by calculating the present value of $3,393,337 repayable in 8.5 years discounted at 23%. $3,393,337 is 2/3s of the private placement proceeds that are subject to the put liability. After its initial recording at $520,426, the put liability is subsequently accreted up to the full face value at the end of the term of the agreement. Accretion expense on put liability at December 31, 2022 amounts to $256,185 (December 31, 2021 - $ 219,236)

8. Investment and U.S. Partnership – Mainpointe Pharmaceuticals, LLC

On January 22, 2021, RepliCel signed three strategic agreements with MainPointe consisting of a Share Purchase Agreement, a Distribution Agreement, and a Royalty Agreement. The strategic investment of $2,700,000 under the Share Purchase Agreement from MainPointe will be spread over an 8-month period. Under the limited term distribution partnership for RepliCel's dermal injector and consumables (the "RepliCel Injector Product Line") in the United States, MainPointe has agreed to pay all costs related to securing FDA approvals to launch the RepliCel Injector Product Line in the U.S. market. The Royalty Participation Agreement provides MainPointe the right to be paid a portion of RepliCel's future royalty revenue stream earned from the sale of RCS-01, RCT-01, and RCH-01 products and any derivatives. A shareholder director of RepliCel is the Chief Technology Officer of MainPointe.

Primary Deal Terms

In consideration for an investment of $2,700,000 and the payment of all costs related to obtaining FDA approval for the Company's dermal injector and consumables, RepliCel has agreed to issue MainPointe up to an aggregate of four (4) million common shares, a right to participate in RepliCel's royalty revenue stream up to a maximum payout of 16 million US dollars, and certain distribution rights of RepliCel Injector Product Line in the United States. The investment will be made as to:

- $500,000 within five (5) days of receipt of conditional approval from the TSX Venture Exchange ($492,092 on February 8, 2021),
- $1,200,000 by February 15, 2021 (received $490,000 on March 23, 2021 and $717,871 on April 23, 2021),
- $700,000 by April 21, 2021 (received $500,528 on August 30, 2021, $199,472 received on November 29, 2021), and
- $300,000 by August 21, 2021 ($298,921 received on November 29, 2021).

The common shares will be priced at the greater of $0.675 or the Discounted Market Price as such term is defined in the Policies of the TSX Venture Exchange.

(Stated in Canadian Dollars Unless Otherwise Stated)

8. Investment and U.S. Partnership – Mainpointe Pharmaceuticals, LLC - *continued*

During the year ended December 31, 2021, the Company received the aggregate consideration of $2,700,000 in five tranches which were accounted for and allocated as follows on initial recognition:

Tranche receipt date	Tranche amount $	Share capital or share subscription $	Royalty payable $	Loss on remeasurement of derivative liability $	Derivative liability $
February 8, 2021	492,092	364,512	346,287	(218,707)	-
March 23, 2021	490,000	272,222	344,815	(127,037)	445,384
April 23, 2021	717,871	378,667	507,376	(168,172)	(163,892)
August 30, 2021	500,528	240,995	352,224	(92,691)	(225,991)
November 30, 2021	498,393	203,049	350,845	(55,501)	(55,501)
Total*	**2,698,884**	**1,459,445**	**1,901,547**	**(662,108)**	**-**

* The difference of $1,116 between the contractual gross proceeds and actual gross proceeds received is attributable to wire fees and foreign exchange translation differences.

The Company issued 3,986,684 common shares to fulfill its obligations pursuant to the Share Purchase Agreement:

Issue Date	Number of common shares
February 8, 2021	729,024
April 23, 2021	1,777,778
December 17, 2021	1,479,882
	3,986,684

Mainpointe is entitled to a royalty up to an aggregate maximum amount of USD $16 million under the agreement equal to:

a) 5% of the amounts earned by and paid to the Company from the sale of any of its “NBDS Products” defined as its RCS-01 (NBDS Fibroblast Therapy – Treatment for Aging Skin), RCT-01 (NBDS Fibroblast Therapy – Treatment for Chronic Tendinosis) and any other product which is comprised of the non-bulbar dermal sheath cells patented by the Company, and

b) 20% of the amounts earned by and paid to the Company from the sale of any of its "DSC Products" defined as its RCH-01 (DSC Therapy for Treatment Androgenic Alopecia) and any other product which is comprised of the dermal sheath cup cells patented by the Company.

(Stated in Canadian Dollars Unless Otherwise Stated)

8. Investment and U.S. Partnership – Mainpointe Pharmaceuticals, LLC - *continued*

In consideration for paying all expenses required to obtain regulatory approval for the RepliCel Injector Product Line, the exclusive distribution rights shall commence upon receipt of regulatory approval to launch the RepliCel Injector Product Line in the U.S. market for a period expiring on the earlier of:

a) four (4) years, or
b) when MainPointe has earned USD $2,000,000 in gross income from the sale of the products in the RepliCel Injector Product Line.

The Company will have the right, in its discretion, to buy out this exclusivity right for an amount equal to the net-present value of profit to be earned on USD $2,000,000 in gross income, plus a further amount in gross income that is equal to the regulatory approval costs

The arrangement with MainPointe was accounted for as a hybrid instrument with two components: royalty payable, which is a financial liability accounted for initially at fair value and subsequently at amortized cost, and an obligation to issue common shares to MainPointe at an agreed price at a future date, which is a derivative liability accounted for at FVTPL.

The obligation to pay royalties of USD $16 million is classified as a financial liability and measured initially at its fair value and subsequently at amortized cost. Management estimated the present value of future cash flows over the expected term using an estimated effective interest rate. The timing and amount of future cash flows are significant judgments that influence measurement of this financial liability over its term until settled. The effective interest rate will be reassessed at each reporting period end date based on management's estimates of changes to the future cash flows and their timing. The Company incurred no transaction costs to enter into these agreements.

Accretion expense recorded in the year ended December 31, 2022 of $2,031,758 (2021: $732,069) was based management's estimate that they would pay USD $16 million royalty obligation in 2.34 years ("the Payback Period"), commencing from January 1, 2024. On December 31, 2022, the Company changed the estimated commencement date from January 1, 2024 to January 1, 2026 based on new information available. As a result of the change, the Company recognized a gain of $3,310,875 in its statement of comprehensive loss. The change in commencement date did not impact the current estimated Payback Period, which remains at 2.34 years. Any changes in this estimated Payback Period would result in variability to the Company's reported royalty obligation and annual accretion expense. Should the Payback Period extend beyond the current estimated 2.34 years, the royalty obligation at December 31, 2022, the accretion in the year ended December 31, 2022 and the effective interest rate estimate would change as presented below:

Payback Period (years)	Royalty payable estimate at December 31, 2022 ($)	Accretion expense for December 31, 2022 ($)	Effective interest rate
2.34 (current estimate)	1,623,088	2,031,758	57%
5.00	3,227,547	784,813	29%
7.50	2,969,087	606,255	24%
10.00	2,810,512	498,534	21%

(Stated in Canadian Dollars Unless Otherwise Stated)

8. Investment and U.S. Partnership – Mainpointe Pharmaceuticals, LLC - *continued*

The fair value of the derivative liability related to the Company's obligation to issue its common shares at a future date at an agreed price was estimated as the difference between the market price of the Company's common shares on the measurement date and their market price on the inception date of the Mainpointe agreement (January 22, 2021) multiplied by the number of common shares issuable per the contractual terms. The derivative liability was re-measured until the settlement date, (when agreed proceeds for the Company's common shares have been received) with a gain or loss on re-measurement recognized on the statement of profit or loss. The Company settled the obligation to issue its common shares during 2021 and recognized a loss on the re-measurement of the derivative liability of $662,108 during the settlement period.

The royalty payable is recognized when proceeds from the arrangement are received from MainPointe and is measured as a residual after subtracting the fair value of derivative liability related to the Company's obligation to issue its common shares at a future date at an agreed price from the proceeds. The royalty payable amounts recorded upon receipt of proceeds from the MainPointe arrangement during 2021 totalled $1,901,547. The continuity of the royalty payable is presented below:

Balance as at December 31, 2020	**-**
Receipts of proceeds - Mainpointe	1,901,547
2021 accretion	732,069
2021 foreign exchange	15,565
Balance as at December 31, 2021	**2,649,181**
2022 accretion	2,031,758
2022 change in estimate	(3,310,875)
2022 foreign exchange	253,024
Balance as at December 31, 2022	**1,623,088**

9. Preference shares

On September 12, 2019, the Company announced that it had completed the first tranche of a private placement pursuant to which it issued 1,089,125 Class A Preference shares at a price of $0.40 per share for aggregate gross proceeds of $435,650.

The finalized terms of the private placement carried certain rights and restrictions, which include:

- a fixed dividend rate which shall accrue on a daily basis (based on a 360- day year consisting of 12 30-day months) at a rate of seven (7%) per annum;
- the right of the Class A Shareholder to convert the paid up amount of each Class A Share, from time-to-time, into shares of the Company (each, a "Share") at any time prior to the date that is five (5) years from the date of issuance of the Class A Shares at a conversion price of $0.33;
- voting rights only on matters pertaining to Class A Shares until they are converted to common shares at which time all voting rights attach; and
- a first priority over all Shares or shares of any other class of the Company as to dividends and upon liquidation.

Subject to the earlier conversion by Class A shareholders and compliance with applicable laws, the Company may, in its discretion at any time, prior to the date that is five (5) years from the date of issuance of the Class A Shares (the "Required Redemption Date") redeem all of the Class A Shares at a price (the "Redemption Price") of:

(i) $0.468 per Class A Share for the period from the date of issuance (the "Issue Date") to the date that is the first anniversary of the Issue Date;

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9. Preference shares - *continued*

(ii) $0.536 for the period from the date that is the day after the first anniversary of the Issue Date to the date that is the second anniversary of the Issue Date;
(iii) $0.604 for the period from the date that is the day after the second anniversary of the Issue Date to the date that is the third anniversary of the Issue Date;
(iv) $0.672 for the period from the date that is the day after the third anniversary of the Issue Date to the date that is the fourth anniversary of the Issue Date; and
(v) $0.740 for the period from the date that is the day after the fourth anniversary of the Issue Date and the date that is the fifth anniversary of the Issue Date.

On the Required Redemption Date, the Company must redeem all remaining outstanding Class A Shares at the Redemption Price, subject to compliance with applicable laws.

The financial instrument is being measured at amortized cost. Given the Company has an obligation to redeem the preference shares in 5 years at $0.74/share, the effective interest was accreted for the redemption amount and accrued cumulative dividends that will be settled in the future.

As at December 31, 2022, the Company had accrued dividends of $30,495 (2021: $22,872).

The continuity of the preferred share liability is presented below:

	December 31, 2022	December 31, 2021
Opening preference share liability	$ 611,386	$ 517,773
Dividends accrued	30,495	30,495
Accretion	47,409	110,855
Settlement of dividends through issuance of common shares (Note 13)	-	(47,737)
Exercisable, December 31, 2022 and 2021	**$ 689,290**	**$ 611,386**

10. Government grant

Due to the global outbreak of the Novel Coronavirus ("COVID-19"), the federal government of Canada introduced the Canada Emergency Business Account ("CEBA"). CEBA provided an interest-free loan ("CEBA") of $60,000 to eligible businesses. The CEBA loan has an initial term that expires on December 31, 2023 throughout which the CEBA Loan remains interest free. Repayment of $40,000 by December 31, 2023 results in a $20,000 loan forgiveness. If the balance is not paid prior to December 31, 2023, the remaining balance will be converted to a 3-year term loan at 5% annual interest, paid monthly effective January 1, 2024. The full balance must be repaid by no later than December 31, 2026.

Pursuant to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the benefit of a government loan at below market rate is treated as a government grant and measured in accordance with IFRS 9, Financial Instruments. The benefit of below market rate shall be measured as the difference between the initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received. The Company has estimated the initial carrying value of the CEBA loan at $26,663 using a discount rate of 18% which was the estimated rate for a similar loan without the interest – free component. The difference of $13,378 will be accreted to the loan liability over the term of the CEBA Loan and offset to other income on the statement of loss and comprehensive loss.

10. Government grant - *continued*

During the year ended December 31, 2022, total accretion expense recognized for the CEBA loan amounted to $6,701 (December 31, 2021 - $5,528). In addition, the Company recognized $2,818 (2021: $2,819) in Government Grant Income.

11. Promissory note

On November 12, 2020, the Company borrowed a sum of $47,299 CAD ($37,149 USD) from an individual, bearing interest at a rate of 8% per annum, payable on demand for repayment of the principal amount. During year-ended December 31, 2021 this amount was settled by the issuance of common shares (Note 13 (b) ii)).

The holder of the promissory note is an employee at MainPointe Pharmaceuticals LLC.

12. Share Capital

a) Authorized:

Unlimited common shares without par value

b) Issued and Outstanding:

As at December 31, 2022, there were **47,597,327** common shares issued and outstanding.

3,571,888 common shares issued in connection with the Licensing and Collaboration agreement with YOFOTO (note 8) are subject to a put option and are therefore classified as a liability and excluded from the continuity of the common share issued.

During the year ended December 31, 2022, share activities were as below:

On May 4, 2022, the Company closed the first tranche of a non-brokered private placement financing (the "Offering") that it previously announced on March 21, 2022, pursuant to which it sold an aggregate of 4,218,470 Units at a price of $0.18 per Unit for gross proceeds of $759,325. Each Unit consists of one common share of the Company (each, a "Share") and one-half of one share purchase warrant (each, a "Warrant"). Each whole Warrant entitles the holder thereof to purchase one additional Share of the Company at a price of $0.40 per Share for a period of three years from closing of the Offering.

On December 30, 2022, RepliCel Life Sciences Inc. has completed its previously announced non-brokered private placement (the "Offering"), as described in its News Releases dated September 6, 2022, October 20, 2022 and on December 14, 2022, pursuant to which it has issued an aggregate of 8,419,650 units (each, a "Unit") at a price of $0.10 per Unit for gross proceeds of $841,965. Each Unit consists of one common share in the capital of the Company (each, a "Share") and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable into one additional Share at a price of $0.20 per Share for a period of three years from the closing date.

During the year ended December 31, 2021, share activities were as below:

i) On January 22, 2021, RepliCel signed three strategic agreements with MainPointe consisting of a Share Purchase Agreement, a Distribution Agreement, and a Royalty Agreement. The strategic investment of $2,700,000 under the Share Purchase Agreement from MainPointe was received over an 8-month period (Note 9).

12. Share Capital – *continued*

b) Issued and Outstanding: - *continued*

During the year ended December 31, 2021, the Company has received $2,698,884 from Mainpointe towards the Investment and U.S. Partnership (see Note 9). 3,986,684 common shares were issued which had a value of $1,459,445 on the dates of issuance. These common shares were issued in 5 tranches (Note 9).

ii) On May 17, 2021, Replicel issued 126,492 common shares in settlement of $47,737 of accrued dividends on issued preference shares. (Note 10).

iii) Shares for debt

The Company announced on March 25, 2021 a debt settlement in the amount of $342,501 owed by the Company to certain creditors ("Creditors") by the issuance of 889,612 common shares (each, a "Share") of the Company at a price of $0.385 per Share. The Settlement Agreements were approved by the TSX Venture Exchange and the shares were issued on June 2, 2021. The securities are subject to a statutory hold period of four months and one day. The Company reported a gain on this debt settlement in the amount of $31,137.

iv) On February 17, 2021, 5,000 shares were issued for cash of $1,800 pursuant to exercise of warrants.

During the year-ended December 31, 2020:

i) *Private Placement*

On July 15, 2020, the Company closed a private placement offering (the "Offering"), pursuant to which it sold an aggregate of 3,649,110 units (each, a "Unit"), at a price of $0.18 per Unit, for gross proceeds of $656,840.

Each Unit consists of one common share of the Company (each, a "Share") and one-half of one share purchase share purchase warrant (each whole warrant, a "Warrant"). One Warrant entitles the holder thereof to purchase one additional Share of the Company at a price of $0.36 per Share for a period of three years from closing of the Offering, subject to an acceleration provision such that in the event that the Shares have a closing price on the TSX Venture Exchange (the "Exchange") of greater than $0.45 per Share for a period of 10 consecutive trading days at any time after four months and one day from the closing of the Offering, RepliCel may accelerate the expiry date of the Warrants by giving notice to the holders thereof and, in such case, the Warrants will expire on the 30th day after the date on which such notice is given to the holder.

The Company did not pay any finder's fees in connection with the Offering.

ii) Shares for debt

In August 2020, the company issued 1,426,491 common shares (each, a "Share") in settlement of $256,769 owing to various creditors (the "August Debt Settlement") after receipt of approval from the TSX Venture Exchange (the "Exchange"). The Shares were issued on August 18, 2020. The Shares are subject to a statutory hold period of four months and one day after closing of the August Debt Settlement.

Of the $256,769 debt settlement, $204,769 was owed to directors or officers of the Company.

(Stated in Canadian Dollars Unless Otherwise Stated)

12. Share Capital – *continued*

b) Issued and Outstanding: - *continued*

In October 2020, the Company issued 160,000 common shares (each, a "Share") in settlement of $28,800 owing to a certain creditor (the "October debt settlement" after receipt of approval from the TSX Venture Exchange (the "Exchange"). The shares were issued on October 28, 2020. The shares are subject to a statutory hold period of four months and one day after the closing of the October Debt Settlement. The Company reported a gain on the October debt settlement in the amount of $800.

c) Stock Option Plans:

On May 21, 2014, the Company approved a Stock Option Plan whereby the Company may grant stock options to directors, officers, employees and consultants. The maximum number of shares reserved for issue under the plan cannot exceed 10% of the outstanding common shares of the Company as at the date of the grant. The stock options can be exercisable for a maximum of 10 years from the grant date and with various vesting terms.

d) Fair value of Company Options Issued

There were no stock options granted during the years ended December 31, 2022.

During the year ended December 31, 2021, the following stock options were granted.

On June 15, 2021, the Company granted 1,715,000 stock options to certain directors, officers, consultants and employees of the Company respectively for the purchase of up to 1,715,000 common shares of the Company pursuant to the Company's Stock Option Plan. Each option granted to the Optionees is exercisable for a period of 5 years at an exercise price of $0.40 per common Share. 625,000 shall vest immediately and 1,090,000 shall vest in equal amounts each calendar quarter of the next 24 months.

There were no stock options granted during the year ended December 31, 2020.

The weighted-average grant date fair value of options granted was estimated using the following weighted average assumptions:

	2022	2021	2020
Risk-fee rate	N/A	2.54%	N/A
Expected life (years)	N/A	5	N/A
Volatility	N/A	113%	N/A
Expected Dividend	N/A	$-	N/A
Expected forfeiture rate	N/A	0%	N/A
Exercise price	N/A	$0.40	N/A
Grant date fair value	N/A	$0.32	N/A

Options Issued to Employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the expected forfeiture rate and the risk-free interest rate for the term of the option.

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12. Share Capital – *continued*

d) Fair value of Company Options Issued: - *continued*

Options Issued to Non-Employees

Options issued to non-employees, are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted, using a valuation model.

e) Stock-based Compensation

The Company recognized $69,506 (2021: $471,755; 2020: $3,397) as stock-based compensation expense for stock options granted under the Company's Stock Option Plan for the years ended December 31, 2022, 2021 and 2020
.
A summary of the status of the stock options outstanding under the Company Stock Option Plan for the years ended December 31, 2022, 2021 and 2020 are as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, January 1, 2022	2,825,000	$ 0.41
Cancelled	(150,000)	-
Outstanding, December 31, 2022	**2,675,000**	**0.41**
Exercisable, December 31, 2022	**2,402,500**	**$ 0.41**

	Number of Options	Weighted Average Exercise Price
Outstanding, January 1, 2021	1,730,000	$ 0.51
Granted	1,715,000	$ 0.40
Expired	(620,000)	$ 0.66
Outstanding, December 31, 2021	**2,825,000**	**$ 0.41**
Exercisable, December 31, 2021	**2,007,500**	**$ 0.42**

	Number of Options	Weighted Average Exercise Price
Outstanding, January 1, 2020	1,830,000	$ 0.51
Cancelled	(100,000)	0.52
Outstanding, December 31, 2020	**1,730,000**	**0.51**
Exercisable, December 31, 2020	**1,730,000**	**$ 0.51**

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12. Share Capital - *continued*

e) Stock-based Compensation - *continued*

As at December 31, 2022, the range of exercise prices for options outstanding under the Company Stock Option Plan is $0.40 - $0.43 and the weighted average remaining contractual life for stock options under the Company Stock Option Plan is 2.36 years. The remaining unrecognized stock-based compensation as of December 31, 2022 was $14,978 (2021: $84,033, 2020: $Nil).

f) Warrants

The number of warrants outstanding at December 31, 2022, 2021, and 2020 each exercisable into one common share, is as follows:

Issue Date	Warrants Outstanding		Weighted Average Exercise Price	Expiry Date
July 15, 2020	1,819,555	$	0.36	July 15, 2023
May 4, 2022	2,109,234	$	0.40	May 4, 2025
December 30, 2022	4,209,825	$	0.20	December 30, 2025
Outstanding, December 31, 2022	**8,138,614**	**$**	**0.29**	

	Warrants Outstanding		Weighted Average Exercise Price
Outstanding, December 31, 2020	**1,824,555**	$	**0.36**
Exercised	(5,000)		0.36
Outstanding, December 31, 2021	**1,819,555**	$	**0.36**
Issued – May 4, 2022	**2,109,234**		**0.40**
Issued – December 30, 2022	**4,209,825**		**0.20**
Outstanding, December 31, 2022	**8,138,614**	$	**0.29**

-

13. Related Party Transactions

Related party balances

The following amounts due to related parties are included in accounts payable and accrued liabilities:

		December 31, 2022		December 31, 2021
Companies controlled by directors of the Company	**$**	**57,750**	$	31,500
Directors or officers of the Company		**154,083**		75,083
	$	**211,833**	$	106,583

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

During the year ended December 31, 2022, the following transactions with related parties occurred:

13. Related Party Transactions - *continued*

Related party balances- *continued*

On May 4, 2022, the Company closed the first tranche of a non-brokered private placement financing (the "Offering") that it previously announced on March 21, 2022, pursuant to which it sold an aggregate of 4,218,470 Units at a price of $0.18 per Unit for gross proceeds of $759,325. Each Unit consists of one common share of the Company (each, a "Share") and one-half of one share purchase warrant (each, a "Warrant"). Each whole Warrant entitles the holder thereof to purchase one additional Share of the Company at a price of $0.40 per Share for a period of three years from closing of the Offering. Andrew Schutte, President and CEO, has participated 2,102,303 Units. In addition, Jamie MacKay (over 10% shareholder) subscribed for 2,116,167 Units.

On December 30, 2022, RepliCel Life Sciences Inc. has completed its previously announced non-brokered private placement (the "Offering"), as described in its News Releases dated September 6, 2022, October 20, 2022 and on December 14, 2022, pursuant to which it has issued an aggregate of 8,419,650 units (each, a "Unit") at a price of $0.10 per Unit for gross proceeds of $841,965. Each Unit consists of one common share in the capital of the Company (each, a "Share") and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable into one additional Share at a price of $0.20 per Share for a period of three years from the closing date. Andrew Schutte, President and CEO, has participated in 6,219,250 Units. In addition, Peter Lowry (director), Peter Lewis (director), Gary Boddington (director) and Jamie MacKay (over 10% shareholder) subscribed 100,400, 100,000, 100,000 and 1,350,000 Units respectively.

During the year ended December 31, 2021, the following transactions with related parties occurred:

In June 2021, the company issued 889,612 common shares (each, a "Share") in settlement of $342,500 owed by the Company to certain creditors ("Creditors") (Note 12). Of the $342,500 debt settlement, $141,052 was owed to directors or officers of the Company.

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13. Related Party Transactions - *continued*

On March 31, 2021, the Company has announced its intention to pay accrued dividends of $47,437 outstanding on the Class A Preferred Shares (the "Dividend Payment") in common shares (each, a "Share") of the Company at a price of $0.375 per Share.

On April 19, 2021, the TSX Venture Exchange approved the settlement of $47,737 in accrued dividends via issuance of 126,492 common shares at the price of $0.375. Of the $47,737 accrued dividends, $14,156 were owed to certain directors of the Company.

The Company incurred the following transactions with companies that are controlled by directors and/or officers of the Company. The transactions were measured at the amount agreed to by the parties.

	December 31, 2022	December 31, 2021	December 31, 2020
Research and development	**$ 25,000**	$ 48,404	$ 48,358
	$ 25,000	$ 48,404	$ 48,358

Key management compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include executive directors, the Chief Executive Officer and the Chief Financial Officer.

	December 31, 2022	December 31, 2021	December 31, 2020
General and administrative – salaries and contracts	**$ 329,250**	$ 336,000	$ 336,000
Directors' fees	**79,000**	75,083	71,250
Stock-based compensation	**62,720**	382,442	3,397
	$ 470,970	$ 793,525	$ 410,647

(Stated in Canadian Dollars Unless Otherwise Stated)

14. Income Taxes

a) Income tax recognized in profit or loss:

		2022		2021		2020
Canadian current tax expense	$	**-**	$	**-**	$	-
Foreign current tax expense		**-**		**-**		-
Deferred tax expense		**-**		**-**		-
Total		**-**		**-**		-

b) Reconciliation of accounting and taxable income, for the years ended December 31 are as follows:

		2022		2021		2020
Net income (loss) for the year before taxes	$	**(743,228)**		**(4,073,315)**	$	(1,580,285)
Combined federal and provincial income tax rate		**27.00%**		27.00%		27.00%
Expected income tax expense (recovery)		**(200,672)**		**(1,099,000)**		(426,677)
Increase (decrease) resulting from						
Non-deductible and others items		**(29,000)**		**318,000**		(17,000)
Change in unrecognized deferred tax assets		**229,672**		**781,000**		443,677
Income tax expense	$	**-**	$	-	$	-

(Stated in Canadian Dollars Unless Otherwise Stated)

14. Income Taxes - *continued*

c) The components of the deferred tax asset (liability) balances for the years ended December 31, are as follows:

		2022		2021
Deferred tax assets				
Non-capital losses	**$**	**9,101,000**	$	**8,595,000**
Equipment and other		**225,000**		**225,000**
Withholding tax credits		**412,000**		**412,000**
Un-deducted SR&ED expenditure pool		**412,000**		**412,000**
Investment tax credit		**196,000**		**196,000**
Share issuance costs		**32,000**		**32,000**
Royalty payable		**438,000**		**715,000**
Unrecognized deferred tax assets		**(10,816,000)**		**(10,587,000)**
	$	-	$	-

Deferred tax assets in respect of losses and other temporary differences are recognized when it is more likely than not, that they will be recovered against profits in future periods. No deferred tax asset has been recognized as this criteria has not been met.

At December 31, 2022, the Company has Canadian non-capital losses totalling approximately $33,708,000 that expire beginning in 2026:

Year of Expiry	**Amount**
2026	**6,000**
2027	**16,000**
2028	**533,000**
2029	**863,000**
2031	**1,664,000**
2032	**2,290,000**
2033	**39,000**
2034	**3,908,000**
2035	**4,356,000**
2036	**3,583,000**
2037	**6,062,000**
2038	**2,790,000**
2039	**3,407,000**
2040	**1,878,000**
2041	**440,000**
2042	**1,873,000**
$	**33,708,000**

15. Financial Instruments and Risk Management

As at December 31, 2022, the Company's financial instruments are comprised of cash and cash equivalent, guaranteed investment certificate, accounts payable and accrued liabilities, CEBA loan payable, promissory note, put liability, royalty payable and preference shares. The fair values of cash and cash equivalents, guaranteed investment certificate, accounts payable and accrued liabilities approximate their carrying value due to their short-term maturity.

The Company is exposed through its operations to the following financial risks:

- Currency risk;
- Credit risk;
- Liquidity risk; and
- Interest rate risk.

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has an exposure to Euros and US Dollars as certain expenditures and commitments are denominated in Euros and US Dollars and the Company is subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in this currency. In addition, the Company holds an amount of cash in US dollars and is therefore exposed to exchange rate fluctuations on these cash balances. The Company does not hedge its foreign exchange risk. At December 31, 2022 the Company held US dollar cash balances of $1,254 (US$926) (December 31, 2021: $40,740 or US$32,134). A 1% increase/decrease in the US dollars foreign exchange rate would have an impact of ±$13 (US$9) on the cash balance held December 31, 2022.

Credit risk is the risk of an unexpected loss if a customer or counterparty fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents. The Company limits exposure to credit risk by maintaining its cash and cash equivalent with large financial institutions. The Company's maximum exposure to credit risk is the carrying value of its financial assets.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company's cash and cash equivalent is currently held in an interest-bearing bank account, management considers the interest rate risk to be limited.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure, more specifically, the issuance of new common shares, to ensure there is sufficient capital in order to meet short term business requirements, after taking into account the Company's holdings of cash and potential equity financing opportunities. The Company believes that these sources will be sufficient to cover the known short and long-term requirements at this time. There is no assurance that potential equity financing opportunities will be available to meet these obligations.

(Stated in Canadian Dollars Unless Otherwise Stated)

15. Financial Instruments and Risk Management - *continued*

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities as at December 31, 2022:

Years of Expiry	Financial Instruments		Amounts
Within 1 year	Accounts payable and accrued liabilities	$	1,029,726
Within 2 to 5 years	CEBA loan payable	$	40,956
Within 2 to 5 years	Preference shares	$	927,935
Greater than 5 years	Put liability	$	3,393,337
Greater than 5 years	Royalty payable	$	21,670,400
Total		$	27,062,354

Contained within accounts payable and accrued liabilities is $404,187 of accrued liabilities at December 31, 2022 (2021: $219,384).

There were no changes to the Company's fair value measurement levels during the year ended December 31, 2022 (2021: no change).

16. Commitments and Contingencies

The Company entered into a Collaboration and Technology Transfer Agreement with Shiseido Company Limited on July 9, 2013 who have alleged RepliCel breached obligations in the agreement, which may allegedly be terminal to future obligations pursuant to the agreement. The Company has vigorously denied the existence of such a breach and insists on the ongoing validity of the respective obligations on both parties pursuant to the agreement. No litigation or the triggering of other dispute mechanisms has been entered into by either party and the Company's management is actively seeking to continue discussions and/or negotiations. Management maintains the position that any data produced from clinical trials of the technology will, by agreement, be made available to the Company.

The Company attempted to engage Shiseido in settlement discussions by written letters, without success. The Company obtained a legal opinion from a lawyer about proceeding with arbitration. Based on that legal advice, the Company consulted with a law firm to represent the Company in the arbitration. Jointly, the Company and its legal representative filed a Notice of Arbitration with the International Center for Dispute Resolution (ICDR), which is the arbitral tribunal that has jurisdiction over the Agreement between the Parties. Shiseido served the Company with its Response to the Notice of Arbitration and the Company's legal counsel reviewed Shiseido's Response with the Company. Based on Shiseido's Response to the Notice of Arbitration, the Company made a strategic and legally necessary step of terminating the Agreement with Shiseido.

From time to time the Company is subject to claims and lawsuits arising from the ordinary course of operations. In the opinion of management, the ultimate resolution of such pending legal proceedings will not have a material adverse effect on the Company's financial position.

17. Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue business opportunities. In order to facilitate the management of its capital requirements, the Company prepares periodic budgets that are updated as necessary. The Company manages its capital structure and makes adjustments to it to effectively support the Company's objectives. In order to continue advancing its technology and to pay for general administrative costs, the Company will use its existing working capital and raise additional amounts as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company considers shareholders' equity, CEBA loan payable, preference shares and working capital as components of its capital base. The Company can access or increase capital through the issuance of shares, and by sustaining cash reserves by reducing its capital and operational expenditure program. Management primarily funds the Company's expenditures by issuing share capital, rather than using capital sources that require fixed repayments of principal and/or interest. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products, with the exception of pooling and escrow shares which are subject to restrictions. The Company believes it will be able to raise additional equity capital as required, but recognizes the uncertainty attached thereto. The Company's investment policy is to hold cash in interest bearing bank accounts, which pay comparable interest rates to highly liquid short-term interest bearing investments with maturities of one year or less and which can be liquidated at any time without penalties. There has been no change in the Company's approach to capital management during the year-ended December 31, 2022.

18. Supplemental Cash Flow Information

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the consolidated statements of cash flow.

During 2022, the Company did not have any non-cash transactions.

During 2021, the Company had the following non-cash transactions:

The Company entered into debt settlement agreements whereby the aggregate amount of $342,501 owed by the Company to certain creditors were settled by the issuance of a total of 889,612 Shares.

The Company has received $2,698,884 in 5 tranches from Mainpointe towards the Investment and U.S. Partnership (see Note 8). 3,986,684 common shares were issued which had a value of $1,459,445 on the dates of issuance (Note 8).

On May 17, 2021, the Company issued 126,492 common shares in settlement of $47,737 on accrued dividends on issued preference shares. (Note 9).

On February 17, 2021, 5,000 shares were issued for cash of $1,800 pursuant to exercise of warrants.

During 2020, the Company had the following non-cash transactions:

During 2020, the Company entered into debt settlement agreements whereby the aggregate amount of $284,769 owed by the Company to certain creditors were settled by the issuance of a total of 1,586,491 units.

19. Segmental Reporting

The Company is organized into one business unit based on its cell replication technology and has one reportable operating segment.

20. Events after Reporting Period

On January 17, 2023, RepliCel Life Sciences Inc., announced that, further to its News Release of December 23, 2022, it has received approval from the TSX Venture Exchange to the issuance of 3,193,092 common shares (each, a "Share") at a deemed price of $0.09 per Share in settlement of $287,378.32 owing to various creditors (the "Debt Settlement"). The Shares were issued on January 17, 2023. The Shares are subject to a statutory hold period of four months and one day after closing of the Debt Settlement.

On February 1, 2023, RepliCel Life Sciences Inc. announced that, further to its News Release of January 16, 2023, it has received approval from the TSX Venture Exchange to the issuance of 508,253 common shares (the "Shares") in settlement of accrued dividends of $53,367.13 outstanding on the Class A Preferred Shares (the "Settlement"). The Shares were issued on February 1, 2023 and are subject to a statutory hold period of four months and one day after closing of the Settlement.

On March 14, Replicel Life Sciences Inc. has completed its previously announced non-brokered private placement (the "Offering"), as described in its News Release dated January 26, 2023, pursuant to which it has issued an aggregate of 10,131,000 units (each, a "Unit") at a price of $0.10 per Unit for gross proceeds of $1,013,100. Each Unit consists of one common share in the capital of the Company (each, a "Share") and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable into one additional Share at a price of $0.20 per Share for a period of four years from the closing date.