

REPLICEL LIFE SCIENCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

Mao & Ying LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of RepliCel Life Sciences Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of operations and comprehensive loss, changes in deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated financial statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in this report.

Royalty Payable

As described in Note 7 of the consolidated financial statements, the Company makes estimates of the probability, timing, annual cashflow payments and discount rate of the royalty payment 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. The settlement of the royalty payment is contingent upon the Company's commercial productions of the products related to the royalty payment. Management is required to make an estimate of the probability, timing, annual cashflow payments and discount rate to determine the Company's liability to settle the royalty payment up to USD\$16 million.

During 2023, management re-assessed the probability of the liability as of December 31, 2023 and concluded that it was not probable that an outflow of resources embodying economic benefits will be required to settle the obligation. As such, the previously recognized provision was reversed due to the change of the estimated probability.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Inquired of management to understand the significant events that have triggered the change of the probability;
- Reviewed management's technical memo regarding the analysis of the probability of the provision; and
- Performed recalculation of the accretion expenses recognized during the year based on the original model before the change in probability and the gain resulting from reversal of royalty provision.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Mao & Ying LLP

Vancouver, Canada,
May 15, 2024

Chartered Professional Accountants

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

As at	Notes	December 31, 2023	December 31, 2022
Assets			
Current assets			
Cash and cash equivalents		\$ 59,160	\$ 413,025
Guaranteed investment certificate		17,250	17,250
Sales taxes recoverable		2,579	46,795
Prepaid expenses and deposits		47,725	123,233
Contract asset	6	35,374	35,374
		162,088	635,677
Non-current assets			
Contract Asset	6	124,731	160,103
Equipment		967	2,438
		\$ 287,786	\$ 798,218
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	12	\$ 655,467	\$ 1,029,726
Note payable	10	47,208	-
Contract liability	6	353,735	353,735
Preference shares	8	765,978	689,290
		1,822,388	2,072,751
Non-current liabilities			
CEBA loan payable	9	60,000	40,956
Deferred government grant income	9	-	5,636
Put liability	6	1,689,006	1,370,038
Contract liability	6	1,247,274	1,601,010
Royalty payable	7	-	1,623,088
		4,818,668	6,713,479
Shareholders' deficit			
Common shares	11	33,115,649	31,661,019
Contributed surplus	11	5,640,073	5,398,590
Accumulated deficit		(43,286,604)	(42,974,870)
		(4,530,882)	(5,915,261)
		\$ 287,786	\$ 798,218

Continuance of Operations

2(a)

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***(Expressed in Canadian Dollars unless otherwise stated)*

For the year ended	December 31, 2023	December 31, 2022
Revenue		
Licensing fees (Note 6)	\$ 353,735	\$ 353,735
Expenses		
Research and development	(526,431)	(623,964)
General and administrative	(1,213,559)	(1,125,282)
Loss before other items	(1,386,255)	(1,395,511)
Other items:		
Accretion and dividends on preference shares (Note 8)	(130,056)	(77,904)
Accretion on CEBA loan (Note 9)	(19,044)	(6,701)
Accretion on put liability (Note 6)	(318,968)	(256,185)
Accretion on royalty payable (Note 7)	(785,607)	(2,031,758)
Foreign exchange gain / (loss)	14,012	(288,905)
Loss on settlement of debt	(100,875)	-
Gain from reversal of / change in royalty payable (Note 7)	2,408,696	3,310,875
Government grant income (Note 9)	5,636	2,818
Interest income	727	43
Net loss and comprehensive loss	\$ (311,734)	\$ (743,228)
Basic and diluted loss per share	\$ (0.01)	\$ (0.02)
Weighted average shares outstanding	59,242,097	37,767,620

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, 2023***(Expressed in Canadian Dollars Unless Otherwise Stated)*

	December 31, 2023	December 31, 2022
Operating activities		
Net loss	\$ (311,734)	\$ (743,228)
Add items not involving cash:		
Accretion and accrued dividends	130,056	77,904
Accretion on CEBA loan	19,044	6,701
Accretion on royalty payable	785,607	2,284,782
Amortization of contract asset	35,372	35,372
Accretion of put liability (Note 6)	318,968	256,185
Revenue from contract liability (Note 6)	(353,735)	(353,735)
Depreciation	1,471	839
Gain on reversal of / changes in royalty payable (Note 7)	(2,408,696)	(3,310,875)
Loss on settlement of debt	100,875	-
Stock-based compensation (Note 11 (e))	241,483	69,056
Changes in non-cash working capital balances:		
Sales taxes recoverable	44,214	(20,928)
Prepaid expenses and deposits	75,508	(29,870)
Accounts payable and accrued liabilities	(86,880)	321,162
Deferred government grant (Note 9)	(5,636)	(2,818)
Net cash used in operating activities	(1,414,083)	(1,409,453)
Financing activities		
Gross proceeds on issuance of common shares (Note 11 b))	1,013,010	1,601,290
Promissory note issued (Note 10)	47,208	-
Net cash provided by financing activities	1,060,218	1,601,290
(Decrease)/increase in cash and cash equivalents during the year	(353,865)	191,837
Cash and cash equivalents, beginning of the year	413,025	221,188
Cash and cash equivalents, end of the year	\$ 59,160	\$ 413,025

Supplemental Cash Flow Information Note 16

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, 2023***(Expressed in Canadian Dollars Unless Otherwise Stated)*

	Common Stock Shares	Amount	Contributed Surplus	Accumulated Deficit	Total
Balance, January 1, 2023	47,597,327	\$ 31,661,019	\$ 5,398,590	\$ (42,974,870)	\$ (5,915,261)
Stock-based compensation (Note 11 (e))	-	-	241,483	-	241,483
Common shares issued in private placement	10,131,000	1,013,100	-	-	1,013,100
Common shares issued for dividends	508,253	53,367	-	-	53,367
Common Shares issued for debt settlement	3,193,092	388,163	-	-	388,163
Net loss for the year	-	-	-	(311,734)	(311,734)
Balance, December 31, 2023	61,429,672	\$ 33,115,649	\$ 5,640,073	\$ (43,286,604)	\$ (4,530,882)

	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 11 (e))	-	-	69,056	-	69,056
Common shares issued in private placement	4,218,470	759,325	-	-	759,325
Common shares issued in 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)

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

REPLICEL LIFE SCIENCES INC.**Notes to The Consolidated Financial Statements****For the year ended December 31, 2023***(Expressed in Canadian Dollars Unless Otherwise Stated)*

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, 2023 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and its interpretations. These consolidated financial statements for the years ended December 31, 2023 and 2022 were authorized for issue by the Board of Directors on May 15, 2024.

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) Continuation 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 of December 31, 2023, the Company is in the research stage, has accumulated losses of \$43,286,604 since its inception and expects to incur further losses in the development of its business. The Company incurred a consolidated net loss of \$311,734 during the year ended December 31, 2023. 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 and debt 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.

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 to 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 11).

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 6 – 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 6 and 11).

Preference Shares

Replifel 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 Replifel 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

Replifel made estimates on the issuance of the put liability disclosed in Note 6. 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

Replifel made estimates in determining the fair value of the derivative liability disclosed in Note 7. 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

Replifel makes estimates of the probability, the timing, periodic payment and discount rate for the payment of royalties as part of the three strategic agreements signed with Mainpointe. Under this royalty arrangement, Replifel has provided Mainpointe with a right to participate in Replifel's royalty revenue stream up to a maximum payout of USD\$16 million and certain distribution rights of Replifel Injector Product Line in the United States. The royalty payment is contingent upon the commercial production Replifel’s products related to the royalty arrangement. Management is required to make an estimate to determine the probability of resources embodying economic benefits will be required to settle the US\$16 million obligation in accordance with IAS 37. The probability will be re-assessed at each period end.

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. Material Accounting Policy Information

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, 2023 and 2022.

b) Guaranteed investment certificate

Guaranteed investment certificate was used as collateral for the Company's credit card. The Company's credit card was cancelled during the year and was redeemed subsequent to the period.

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. Material Accounting Policy Information - 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. Material Accounting Policy Information - 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.

4. Material Accounting Policy Information - continued**e) Revenue - continued**

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.

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, 2023 and 2022.

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, 2023 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 is 15,479,559 (2022: 10,813,615).

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. Material Accounting Policy Information - 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. Material Accounting Policy Information - continued**j) Share-based Payments**

The Company has adopted a stock option plan as described in (Note 12(c)).

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 11(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. Material Accounting Policy Information - 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, 2023 and 2022.

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, 2023 and 2022.

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, 2023 that had a material impact on these consolidated financial statements.

New Standards, Amendments and Interpretations Not Yet Effective

IAS 1 Amendment the Company has adopted the amendments to IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information." Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The adoption of IAS 1 amendment has no material impact on the consolidated financial statements herein. Certain accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable and/or are not expected to have a significant impact on the Company's financial statements. The Company does not plan to adopt any of these standards before they become effective.

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.

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

On July 10, 2018 (the “Commencement Date”), 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, starting from the commercial productions, to three of RepliCel products (the “Licensed 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 11).

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).

6. 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. The 10-year period is the term that the Company needs to collaborate with YOFOTO to help YOFOTO to obtain the regulatory approvals to market the Licensed Products from the Territory.

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, 2023 amounts to \$318,968 (December 31, 2022 - \$256,185)

7. 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. The CEO 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.

REPLICEL LIFE SCIENCES INC.**Notes to The Consolidated Financial Statements****For the year ended December 31, 2023***(Expressed in Canadian Dollars Unless Otherwise Stated)***7. 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.

7. 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 initially accounted for as a hybrid instrument with two components: royalty payable, which is a provision 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 was recognized as a provision under IAS 37 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 probability of settling the provision, the timing, discount rate, and amount of future cash flows are significant judgments that influence measurement of this provision over its term until settled. The Company incurred no transaction costs to enter into these agreements.

Accretion expense recorded in the year ended December 31, 2023 of \$785,607 (2022: \$2,031,758) 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, 2026.

On October 13, 2023, the International Centre for Dispute Resolution ("ICDR") ruled in favour of Shiseido stating that Shiseido did not breach the Agreement and that all of RepliCel's requests for relief had been denied ("the Decision"). RepliCel was awarded a small financial award recovering some legal fees from Shiseido. As a result of the Decision and the Company's going concern in significant doubt, the Company placed all research and development of its products on hold. The settlement of the liability is uncertain because it is contingent upon the Company's commercial production of its product lines. As such, it is determined that the Company's ability to achieve an outflow of resources embodying economic benefits from its products was less than probable and could not be reasonably estimated. As such, the royalty provision was reversed as per IAS 37.59.

REPLICEL LIFE SCIENCES INC.**Notes to The Consolidated Financial Statements****For the year ended December 31, 2023***(Expressed in Canadian Dollars Unless Otherwise Stated)*

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

The continuity of the royalty payable is presented below:

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
2023 accretion	785,607
2023 gain from reversal of royalty provision	(2,408,696)
2023 foreign exchange	1
Balance as at December 31, 2023	-

8. 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, "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;
- (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.

REPLICEL LIFE SCIENCES INC.**Notes to The Consolidated Financial Statements****For the year ended December 31, 2023***(Expressed in Canadian Dollars Unless Otherwise Stated)*

8. Preference shares - continued

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, 2023, the Company had accrued dividends of \$30,495 (2022: \$30,495).

The continuity of the preferred share liability is presented below:

	December 31, 2023	December 31, 2022
Opening preference share liability	\$ 689,290	\$ 611,386
Dividends accrued	30,495	30,495
Accretion	99,560	47,409
	<u>819,345</u>	<u>689,290</u>
Shares issued for dividends	(53,367)	-
Balance, exercisable	\$ 765,978	\$ 689,290

9. 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 January 18, 2024 results in a \$20,000 loan forgiveness. If the balance is not paid prior to January 18, 2024, the remaining balance will be converted to a 3-year term loan at 5% annual interest, paid monthly, effective January 19, 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.

The company did not repay the loan by the January 18, 2024 deadline, as such the CEBA loan has been converted to a \$60,000 3 year term loan with the aforementioned terms.

During the year ended December 31, 2023, the total accretion expense recognized for the CEBA loan amounted to \$19,044 (2022 - \$6,701). The Company also recognized Government Grant Income of \$5,636 (2022 - \$2,818).

10. Promissory notes

The Company pre-drew \$47,208 from a secured loan ("Loan") subsequently entered into on April 10, 2024, with the CEO of the Company (refer to Note 18). The Loan bears interest at a rate of 5% per annum, and has a maturity date

of October 6, 2024. The loan has first security interest over the assets of the Company. The Loan proceeds will be used to satisfy the payment of expenses related to the Proposed Transaction and general corporate invoices.

11. Share Capital

a) Authorized:

Unlimited common shares without par value

b) Issued and Outstanding:

As at December 31, 2023, there were 65,001,560 common shares issued and outstanding.

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

During the year ended December 31, 2023, share activities were as below:

On January 17, 2023, the Company 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") in settlement of \$287,378 owing to various creditors (the "Debt Settlement"). The Shares were issued on January 17, 2023, and had a fair market value of \$383,163, the Company recognized a loss on settlement of debt of \$95,793. The Shares are subject to a statutory hold period of four months and one day after the closing of the Debt Settlement.

On February 1, 2023, the Company 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 outstanding on the Class A Preferred Shares (the "Settlement"). The Shares were issued on February 1, 2023, and had a fair market value of \$58,449, the Company recognized a loss on settlement of debt of \$5,082. are subject to a statutory hold period of four months and one day after the closing of the Settlement.

On March 14, 2023, the Company 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. A value of \$nil was assigned to warrants based on residual method.

11. Share Capital - continued**b) Issued and Outstanding: - 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 the closing of the Offering. A value of \$nil was assigned to warrants based on residual method.

On December 30, 2022, the Company 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. A value of \$nil was assigned to warrants based on residual method.

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

During the year ended December 31, 2023, the Company granted 2,380,000 stock options, of which 880,000 were extended from previously expired stock options, the stock options were all vested immediately.

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.

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.

REPLICEL LIFE SCIENCES INC.**Notes to The Consolidated Financial Statements****For the year ended December 31, 2023***(Expressed in Canadian Dollars Unless Otherwise Stated)***11. Share Capital – continued****e) Stock-based Compensation**

During the year, the Company recognized \$241,483 (2022: \$69,506), as stock-based compensation expense for stock options granted under the Company's Stock Option Plan. The options were fair valued using the Black-Scholes option pricing model with the following assumptions:

Weighted average assumptions	2023	2022
Risk-free rate	3.64%	N/A
Expected life (years)	4.21	N/A
Volatility	126%	N/A
Expected Dividend	\$-	N/A
Expected forfeiture rate	0%	N/A
Exercise price	\$0.25	N/A
Grant date fair value	\$0.11	N/A

A summary of the status of the stock options outstanding under the Company Stock Option Plan for the years ended December 31, 2023 and 2022 are as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2022	2,675,000	\$ 0.41
Granted / extended	2,380,000	\$ 0.15
Expired	(960,000)	\$ 0.43
Outstanding, December 31, 2023	4,095,000	\$ 0.31
Exercisable, December 31, 2023	4,095,000	\$ 0.31
	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2021	2,825,000	\$ 0.41
Granted	-	-
Expired	(150,000)	\$ -
Outstanding and Exercisable, December 31, 2022	2,675,000	\$ 0.41

As at December 31, 2023, the range of exercise prices for options outstanding under the Company Stock Option Plan is \$0.15 - \$0.43 and the weighted average remaining contractual life for stock options under the Company Stock Option Plan is 2.94 years.

REPLICEL LIFE SCIENCES INC.**Notes to The Consolidated Financial Statements****For the year ended December 31, 2023***(Expressed in Canadian Dollars Unless Otherwise Stated)*

11. Share Capital - continued**f) Warrants**

The number of warrants outstanding at December 31, 2023 and 2022 each exercisable into one common share, is as follows:

Issue Date	Warrants Outstanding		Weighted Average Exercise Price	Expiry Date
May 4, 2022	2,109,324	\$	0.40	May 4, 2027
December 30, 2022	4,209,825	\$	0.40	December 30, 2027
March 14, 2023	5,065,500	\$	0.20	March 14, 2027
Outstanding, December 31, 2023	11,384,559	\$	0.18	

Issue Date	Warrants Outstanding		Weighted Average Exercise Price	Expiry Date
Outstanding, December 31, 2021	1,819,555	\$	0.36	
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	
March 14, 2023	5,065,500		0.20	March 14, 2027
Expired	(1,819,555)		0.36	
Outstanding, December 31, 2023	11,384,559	\$	0.31	

REPLICEL LIFE SCIENCES INC.**Notes to The Consolidated Financial Statements****For the year ended December 31, 2023***(Expressed in Canadian Dollars Unless Otherwise Stated)*

12. Related Party Transactions**Related party balances**

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

	December 31, 2023	December 31, 2022
Companies controlled by directors of the Company	\$ -	\$ 57,750
Directors or officers of the Company	239,493	154,083
	\$ 239,493	\$ 211,833

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

During the year ended December 31, 2023, the following transactions with related parties occurred:

On April 10, 2024, the Company entered into a secured loan agreement with the CEO of the Company (note 10).

On March 14, 2023, the Company closed a non-brokered private placement financing (the "Offering"), pursuant to which the Company issued an aggregate of 10,131,000 Units at a price of \$0.10 per Unit for gross proceeds of \$1,013,100. Each Unit consists of one common share of the Company (each, a "Share") and one share purchase warrant ("Warrant"). Each Warrant entitles the holder thereof to purchase one additional Share of the Company at a price of \$0.20 per Share for a period of four years from the closing of the Offering. Mr. Andrew Schutte, President and CEO, has participated in 4,042,500 Units. Mr. Jamie Mackay, director, has participated in 4,021,500 Units.

On January 16, 2023, the Company issued 508,253 common shares to the holders of Class A Preferred Shares to settle \$53,367 in accrued dividends, of which 151,666 common shares were issued to officers and directors of the Company.

On February 01, 2023, the Company issued 3,193,092 common shares to settle \$287,378 in debts, of which 2,843,132 common shares were issued to officers and directors of the Company.

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

On May 4, 2022, the Company closed a non-brokered private placement financing (the "Offering"), pursuant to which the Company issued 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 the closing of the Offering. Mr. Andrew Schutte, President and CEO, has participated in 2,102,303 Units.

On December 30, 2022, the Company completed a non-brokered private placement (the "Offering"), pursuant to which the Company 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. Mr. Andrew Schutte, President & CEO, has participated in 4,042,500 Units.

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.

REPLICEL LIFE SCIENCES INC.**Notes to The Consolidated Financial Statements****For the year ended December 31, 2023***(Expressed in Canadian Dollars Unless Otherwise Stated)*

	December 31, 2023	December 31, 2022
Research and development	\$ 61,500	\$ 25,000

Key management compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include but not limited to the Board of Directors, the Chief Executive Officer and the Chief Financial Officer.

	December 31, 2023	December 31, 2022
General and administrative – salaries and contracts	\$ 193,300	\$ 329,250
Directors' fees	84,778	79,000
Stock-based compensation	208,169	62,720
	\$ 486,247	\$ 470,970

REPLICEL LIFE SCIENCES INC.**Notes to The Consolidated Financial Statements****For the year ended December 31, 2023***(Expressed in Canadian Dollars Unless Otherwise Stated)*

13. Income Taxes

- a) Income tax recognized in profit or loss:

	2023	2022
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:

	2023	2022
Net loss for the year before taxes	\$ (311,734)	(743,228)
Combined federal and provincial income tax rate	27.00%	27.00%
Expected income tax expense (recovery)	(84,168)	(200,672)
Increase (decrease) resulting from non-deductible and other items	127,000	(29,000)
Adjustments to prior year's tax provision	(826,000)	-
Change in unrecognized deferred tax assets	(783,168)	229,672
Income tax expense	\$ -	\$ -

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

	2023	2022
Deferred tax assets		
Non-capital losses	\$ 10,320,000	\$ 9,101,000
Equipment and other	166,000	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
Royalty payable	-	438,000
Unrecognized deferred tax assets	(11,506,000)	(10,816,000)
	\$ -	\$ -

Deferred tax assets in respect to 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.

REPLICEL LIFE SCIENCES INC.**Notes to The Consolidated Financial Statements****For the year ended December 31, 2023***(Expressed in Canadian Dollars Unless Otherwise Stated)*

13. Income Taxes - continued

At December 31, 2023, the Company has Canadian non-capital losses totalling approximately \$38,222,000 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	2,792,000
2039	3,507,000
2040	1,940,000
2041	4,104,000
2042	1,103,000
2043	1,456,000
	<hr/>
	\$ 38,222,000

14. Financial Instruments and Risk Management

As at December 31, 2023, 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. As at December 31, 2023 the Company held US dollar cash balances of \$26,741 (US\$20,219) (December 31, 2022: \$1,254 (US\$926)). A 1% increase/decrease in the US dollars foreign exchange rate would have an impact of \pm \$267 (US\$202) on the cash balance held December 31, 2023.

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.

REPLICEL LIFE SCIENCES INC.**Notes to The Consolidated Financial Statements****For the year ended December 31, 2023***(Expressed in Canadian Dollars Unless Otherwise Stated)*

14. 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, 2023:

Years of Expiry	Financial Instruments		Amounts
Within 1 year	Accounts payable and accrued liabilities	\$	655,467
Within 1 year	Promissory note payable	\$	47,208
Within 1 year	Preference shares	\$	765,978
Within 1 year	Contract liability	\$	353,735
Within 2 to 5 years	Contract liability	\$	1,247,274
Within 2 to 5 years	CEBA loan payable	\$	60,000
Within 2 to 5 years	Put liability	\$	1,689,006
Total		\$	4,818,668

Contained within accounts payable and accrued liabilities is \$268,010 of accrued liabilities as at December 31, 2023 (2022: \$404,187).

15. 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, 2023.

16. Supplemental Cash Flow Information

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

During the year ended December 31, 2023, the Company had the following non-cash transactions:

On January 17, 2023, the Company issued 3,193,092 common shares to settle \$388,163 in debts.

On January 17, 2023, the Company issued 508,253 common shares to the holders of Class A Preferred Shares to settle \$53,367 in accrued dividends.

During the year ended December 31, 2022, the Company did not have any non-cash transactions.

17. Segmental Reporting

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

18. Events after Reporting Period

On April 10, 2024, the Company entered into a \$1,000,000 secured loan agreement ("Loan") with the CEO of the Company. The Loan bears interest at a rate of 5% per annum, taking into account of the applicable advance date, and has a maturity date of October 6, 2024. The loan has first security interest over the assets of the Company. The Loan proceeds will be used to satisfy the payment of expenses related to the Proposed Transaction and general corporate invoices. On October 6, 2023 the Company has drawn down \$47,208, and at December 31, 2023 had a balance of \$47,208. The Loan is secured by all of the Company's right, title and interest in and to all of the Company's present and after-acquired personal property, and all proceeds thereof, except certain leased assets and consumer goods of the Company, of whatsoever nature and kind and wherever situate including, without limiting the generality of the foregoing, all of the Company's right, title and interest in and to all of the Company's present and after-acquired