



Consolidated Financial Statements
(Expressed in Canadian Dollars)

WAVERLEY PHARMA INC.

Year ended December 31, 2023

Independent auditor's report

To the Shareholders of
Waverley Pharma Inc.

Opinion

We have audited the consolidated financial statements of **Waverley Pharma Inc.** [the "Company"], which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of net loss and comprehensive loss, consolidated statements of changes in (deficit) equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 2[c] in the consolidated financial statements which indicates that the Company incurred a net loss of \$2,224,048 during the year ended December 31, 2023, with cash used in operating activities of \$1,021,115 and, as of that date the Company had a deficit of \$9,395,144. As stated in note 2[c], these events or conditions, along with other matters set forth in note 2[c], indicate that a material uncertainty exists that may cast significant doubt in the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters, that in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the material uncertainty related to going concern section, we have determined that there are no other key audit matters to communicate in our auditor's report.



Other information

Other information consists of the information included in the Management’s Discussion and Analysis, other than the consolidated financial statements and our auditor’s report thereon. Management is responsible for the other information.

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 audits of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits 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 in this auditor’s report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ashraf El-Bakri.

Ernst & Young LLP

Chartered Professional Accountants

Winnipeg, Canada
April 29, 2024





Waverley Pharma Inc.
Consolidated Statements of Financial Position
(expressed in Canadian dollars)

| As at December 31 | Note | 2023 | 2022 |
|--|-------|--------------------|---------------------|
| Assets | | | |
| Current assets: | | | |
| Cash | | \$ 53,015 | \$ 133,797 |
| Accounts receivable | 4 | 138,197 | 193,398 |
| Inventory | 5 | 633 | 61,522 |
| Prepaid expenses | | 224,880 | 243,803 |
| Total current assets | | 416,725 | 632,520 |
| Non-current assets | | | |
| Intangible assets/held-for-sale | 7 | 264,520 | 1,679,402 |
| Other asset | 8(d) | 271,048 | 375,427 |
| Total non-current assets | | 535,568 | 2,054,829 |
| Total assets | | \$ 952,293 | \$ 2,687,349 |
| Liabilities and Equity | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | | \$ 486,969 | \$ 736,510 |
| License fee payable | 11(b) | - | 158,031 |
| Loan payable | 9 | - | 40,000 |
| Bank indebtedness | 6 | 1,602,059 | 661,726 |
| Total current liabilities | | 2,089,028 | 1,596,267 |
| Total liabilities | | 2,089,028 | 1,596,267 |
| (Deficit) Equity: | | | |
| Share capital | 8(b) | 7,000,100 | 7,000,100 |
| Warrants | 8(d) | 521,894 | 521,894 |
| Contributed surplus | | 809,420 | 809,420 |
| Accumulated other comprehensive loss | | (73,005) | (69,236) |
| Deficit | | (9,395,144) | (7,171,096) |
| Total (deficit) equity | | (1,136,735) | 1,091,082 |
| Total liabilities and equity | | \$ 952,293 | \$ 2,687,349 |

Commitments and contingencies (Note 11)

On behalf of the board

"Dr. Albert D. Friesen"
 Director

"Mr. P. Marcus Enns"
 Director

See accompanying notes to the consolidated financial statements.



Waverley Pharma Inc.
Consolidated Statements of Net Loss and Comprehensive Loss
 (expressed in Canadian dollars)

| For the year ended December 31 | Note | 2023 | 2022 |
|--|-------|-----------------------|---------------------|
| Revenue from contracts with customers | | \$ 412,090 | \$ 1,246,832 |
| Cost of goods sold | 5 | 332,289 | 963,043 |
| Gross Profit | | 79,801 | 283,789 |
| Expenses | | | |
| Selling, general, and administrative | 7 | \$ 1,128,059 | \$ 1,138,278 |
| Research and development | | 234,578 | 81,656 |
| | | 1,362,637 | 1,219,934 |
| Loss before the undernoted | | (1,282,836) | (936,145) |
| Other expenses (income): | | | |
| Recovery under profit sharing arrangement | 11(b) | (29,690) | - |
| Recovery of importation value added tax | 11(b) | (48,952) | (297,989) |
| Impairment of intangible assets | 7 | 942,623 | - |
| | | 863,981 | (297,989) |
| Finance costs: | | | |
| Finance expense, net | | 76,653 | 16,638 |
| Foreign exchange loss | | 578 | 9,282 |
| | | 77,231 | 25,920 |
| Net loss | | \$ (2,224,048) | \$ (664,076) |
| Translation adjustment | | (3,769) | (34,006) |
| Comprehensive loss | | \$ (2,227,817) | \$ (698,082) |
| Loss per share attributable to shareholders: | | | |
| Basic and Diluted | 8(e) | \$ (0.04) | \$ (0.01) |
| Weighted average shares outstanding: | | | |
| Basic and Diluted | 8(e) | 54,000,000 | 54,000,000 |

See accompanying notes to the consolidated financial statements.



Waverley Pharma Inc.
 Consolidated Statements of Changes in (Deficit) Equity
 (expressed in Canadian dollars)

| | Note | Share capital | Warrants | Contributed surplus | Accumulated other comprehensive income (loss) | Deficit | Total (Deficit) Equity |
|-----------------------------------|------|---------------------|-------------------|---------------------|---|-----------------------|------------------------|
| Balance, December 31, 2021 | | \$ 7,000,100 | \$ 521,894 | \$ 809,420 | \$ (35,230) | \$ (6,507,020) | \$ 1,789,164 |
| Net loss for the year | | - | - | - | - | (664,076) | (664,076) |
| Other comprehensive loss | | - | - | - | (34,006) | - | (34,006) |
| Balance, December 31, 2022 | | \$ 7,000,100 | \$ 521,894 | \$ 809,420 | \$ (69,236) | \$ (7,171,096) | \$ 1,091,082 |
| Balance, December 31, 2022 | | \$ 7,000,100 | \$ 521,894 | \$ 809,420 | \$ (69,236) | \$ (7,171,096) | \$ 1,091,082 |
| Net loss for the year | | - | - | - | - | (2,224,048) | (2,224,048) |
| Other comprehensive loss | | - | - | - | (3,769) | - | (3,769) |
| Balance, December 31, 2023 | | \$ 7,000,100 | \$ 521,894 | \$ 809,420 | \$ (73,005) | \$ (9,395,144) | \$ (1,136,735) |

See accompanying notes to the consolidated financial statements.



Waverley Pharma Inc.
Consolidated Statements of Cash Flows
(expressed in Canadian dollars)

| For the year ended December 31 | Note | 2023 | 2022 |
|--|-------------|--------------------|-------------------|
| Cash (used in) provided by: | | | |
| Operating activities: | | | |
| Net loss for the year | \$ | (2,224,048) | \$ (664,076) |
| Adjustments for: | | | |
| Recovery under profit sharing arrangement | 11(b) | (29,690) | - |
| Recovery of importation value added tax | 11(b) | (48,952) | (297,989) |
| Impairment loss on intangible assets | 7 | 942,623 | - |
| Inventory write-down | 5 | 66,132 | - |
| Finance expense, net | | 76,653 | 16,638 |
| Amortization of intangible assets | 7 | 321,905 | 107,725 |
| Amortization of other asset | 8(d) | 104,379 | 104,379 |
| Changes in working capital accounts: | | | |
| Accounts receivable | | 55,201 | 275,382 |
| Inventory | | 60,889 | 293,096 |
| Prepaid expenses | | (18,923) | (28,861) |
| Accounts payable and accrued liabilities | | (249,109) | (28,872) |
| Interest paid, net | | (78,175) | (14,485) |
| Cash flows used in operating activities | | (1,021,115) | (237,063) |
| Financing activities: | | | |
| Bank indebtedness | 6 | 940,333 | 439,370 |
| Cash flows from financing activities | | 940,333 | 439,370 |
| Investing activities: | | | |
| Payments on license fees payable | | - | (226,625) |
| Cash flows used in investing activities | | - | (226,625) |
| Decrease in cash | | (80,782) | (24,318) |
| Effect of exchange rate differences on cash | | - | - |
| Cash, beginning of year | | 133,797 | 158,115 |
| Cash, end of year | \$ | 53,015 | \$ 133,797 |

See accompanying notes to the consolidated financial statements.



Waverley Pharma Inc.
Notes to the Consolidated Financial Statements
(expressed in Canadian dollars)

1. Reporting entity

Waverley Pharma Inc. ("**Waverley**" or the "**Company**") was incorporated as Buffalo Capital Inc. ("**Buffalo**") pursuant to the provisions of the Canada Business Corporations Act ("**CBCA**") on December 14, 2016 and was classified as a Capital Pool Corporation ("**CPC**") as defined by Policy 2.4 of the TSX Venture Exchange (the "**Exchange**"). On October 24, 2017, the Company completed a qualifying transaction (the "**QT**") with Waverley Pharma Inc. and the name continued as Waverley Pharma Inc in accordance with the CBCA.

The Company is domiciled and incorporated in Canada and its Common Shares are listed on Tier 2 of the Exchange under the symbol "WAVE". The address of the Company's registered office and head office is 4-1250 Waverley Street, Winnipeg, Manitoba, Canada, R3T 6C6.

The Company is a biopharmaceutical company engaged in the research, development and commercialization of human therapeutics focused on oncology. The Company has entered into a license, manufacture, supply, marketing and distribution agreement with Reliance Life Sciences Private Limited ("**RLS**" or the "**Licensor**") by which the Licensor granted the Company an exclusive territorial license to market and sell capecitabine in the United Kingdom (the "**UK**") and Germany as well as a non-exclusive territorial license to market and sell temozolomide and erlotinib in the UK. Additionally, the Company has acquired exclusive territorial licenses from RLS to two oncologic drugs currently under development, pemetrexed and bortezomib in the United States and its territories (the "**USA**"), Canada, and the European Union (the "**EU**"). In addition, the Company has obtained a non-exclusive license to sell both pemetrexed and bortezomib in the UK. These products are marketed in the EU and the UK through the Company's wholly owned Irish subsidiary, Waverley Pharma Europe Limited ("**WPEL**").

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and Interpretations issued by the International Financial Reporting Interpretations Committee ("**IFRIC**").

The consolidated financial statements were authorized for issue by the Board of Directors on April 29, 2024.

(b) Basis of presentation

These consolidated financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss ("**FVTPL**") are measured at fair value.

(c) Going concern

These consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and meet its liabilities as they become due.

The Company is a research and development stage company and as such is primarily dependent on financing provided from external sources to continue as a going concern. The Company has not achieved the expected levels of revenue to sustain the business, and revenue has declined during the year ended December 31, 2023. The Company has recorded an impairment loss on its intangible assets in the amount of \$942,623, and has classified these assets as held-for-sale as at December 31, 2023. The Company does not expect a substantial amount of revenue from said assets in 2024 or beyond. In addition, during the year ended December 31, 2023, the Company incurred a net loss of \$2,224,048 (2022 - \$664,076), with cash used in operating activities of \$1,021,115 (2022 - \$237,063) and, as at December 31, 2023, has a deficit of \$9,395,144 (2022 - \$7,171,096).

2. Basis of preparation

(c) *Going concern (continued)*

The above noted events and conditions indicate that material uncertainties exist that may cast significant doubt upon the Company's ability to continue as a going concern. In the future, the Company's ability to continue as a going concern will be dependent upon its ability to attain profitable operations and generate funds there from, and to continue to obtain funds from equity financings or borrowings from third parties sufficient to meet current and future obligations and/or restructure the existing liabilities. These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations.

(d) *Functional and presentation currency*

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented has been rounded to the nearest dollar except where indicated otherwise.

(e) *Use of estimates and judgments*

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses during the period.

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

Areas in which management has made critical judgments in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements include the determination of the Company's and its subsidiaries' functional currencies.

Information about key assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year are included in the following notes to the consolidated financial statements for the year ended December 31, 2023:

- Note 3(e): Estimates of variable consideration receivable from revenue from contracts with customers
- Note 3(h): Estimates of the valuation of intangible assets

3. Material accounting policies

(a) *Basis of Consolidation*

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities that are controlled by the Company. Control exists when the Company has power over the investee and the Company is exposed or has the rights to variable returns from the investee. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control and include wholly owned subsidiary, WPEL (Ireland). The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany transactions and balances and unrealized gains and losses from intercompany transactions have been eliminated.

(b) *Foreign currency*

Items included in the financial statements of each of the Company's consolidated subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the functional currency). The consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. The functional currency of WPEL is the British Pound ("GBP") based on the nature of the subsidiary's operating activities.

3. Material accounting policies (continued)

(b) Foreign currency (continued)

Foreign currency transactions are translated into the respective functional currencies of the Company and its subsidiaries using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss. Non-monetary items that are not carried at fair value are translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

(c) Financial instruments

(i) Financial assets

The Company initially recognizes a financial asset on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Upon recognition of a financial asset, classification is made based on the business model for managing the asset and the asset's contractual cash flow characteristics. The financial asset is initially recognized at its fair value and subsequently classified and measured as (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL. Financial assets are classified as FVTPL if they have not been classified as measured at amortized cost or FVOCI. Upon initial recognition of an equity instrument that is not held-for-trading, the Company may irrevocably designate the presentation of subsequent changes in the fair value of such equity instrument as FVTPL.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has classified all of its non-derivative financial assets as financial assets measured at amortized cost. The Company has not classified any financial assets as FVOCI or FVTPL.

Financial assets measured at amortized cost

A non-derivative financial asset is measured at amortized cost when both of the following conditions are met: (i) the asset is held within a business model whose objective is to hold assets in order to collect the contractual cash flows; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such assets are recognized initially at fair value plus any directly attributable transaction costs and measured at amortized cost using the effective interest method subsequent to initial recognition, loans and receivables are measured at amortized cost. Financial assets measured at amortized cost are comprised of cash and accounts receivable.

(ii) Financial liabilities

All financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. All financial liabilities are measured at amortized cost, except for financial liabilities measured at FVTPL. A financial liability may no longer be reclassified subsequent to initial recognition. Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or when they expire.

The Company has the following non-derivative financial liabilities which are classified as financial liabilities measured at amortized cost: accounts payable and accrued liabilities and license fee payable.

3. Material accounting policies (continued)

(d) *Impairment of financial assets*

An “expected credit loss” impairment model applies to financial assets, specifically trade receivables, which requires a loss allowance to be recorded on financial assets measured at amortized cost based on their expected credit losses. For trade receivables, the Company applies a simplified approach in calculating expected credit losses. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime expected credit losses at each reporting date. The Company tracks its experience with historical credit losses and factors in any forward-looking relevant information specific to its customers or the economic environment.

(e) *Revenue from contracts with customers*

The Company is in the business of providing human therapeutics with a focus on oncology. The Company holds tenders (each a “**Tender**”) from the UK National Health Service (the “**UK NHS**”) by which the Company supplies capecitabine, temozolomide and erlotinib to the UK NHS as agreed upon in the respective Tender. The Company has entered into a logistics and distribution agreement with a third-party wholesaler (the “**Wholesaler**”). Revenue from the sale of finished products is recognized upon removal of the goods from inventory to be distributed to the end-customer, the point in time in which title and control of the goods pass from the Company to the Wholesaler.

Revenue from product sales is measured at the amount as awarded in the corresponding Tender in which the sale occurs. The Company measures revenue at the amount in which it expects to be entitled to for providing finished products to the Wholesaler. The Company includes variable consideration in the transaction price to extent that it is highly probable that a significant reversal in the cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved, using the most likely amount technique. Product sales do not contain an element of financing as sales are made with a credit term of one month subsequent to the issuance of the invoice, which is consistent with market practice.

(f) *Cash equivalents*

The Company considers all liquid investments purchased with a maturity of three months or less at acquisition to be cash and cash equivalents, which are considered financial assets measured at amortized cost.

(g) *Inventory*

The Company's inventory consists of finished commercial product which is available for sale and measured at the lower of cost and net realizable value.

The cost of inventory is based on the first-in first-out principle and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to the existing location and condition.

Inventory is written down to net realizable value when the cost of inventory is estimated to be unrecoverable due to obsolescence, damage, or declining selling prices. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses. When the circumstances that previously caused inventories to be written down below cost no longer exist, or when there is clear evidence of an increase in selling prices, the amount of the write-down previously recorded is reversed.

3. Material accounting policies (continued)

(h) *Intangible assets*

Intangible assets that are acquired separately are measured at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Licenses are amortized on a straight-line basis over the term in which the license has been granted.

Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. The cost of servicing the Company's intangible assets is expensed as incurred.

The amortization method and amortization period of an intangible asset with a finite useful life are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates in the consolidated statements of net loss and comprehensive loss.

(i) *Research and development*

Research and development expenses include all direct and indirect operating expenses supporting the products in development.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design to produce new or substantially improved products and processes. Development expenditures are capitalized only if the associated costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The Company has not capitalized any development costs to date.

(j) *Impairment of non-financial assets*

The Company assesses at each reporting period whether there is an indication that a non-financial asset may be impaired. An impairment loss is recognized when the carrying amount of an asset, or its cash generating unit ("CGU"), exceeds its recoverable amount. Impairment losses are recognized in net loss and comprehensive loss and included in research and development expense if they relate to patents. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount is the greater of the asset's or CGU's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less cost to sell, an appropriate valuation model is used. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

3. Material accounting policies (continued)

(k) Assets held-for-sale

The Company classifies non-current assets as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. Assets classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Once classified as held for sale, the assets are no longer depreciated or amortized. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

(l) Government assistance

Government assistance is recognized at fair value when there is reasonable assurance that the grant will be received and all conditions will be complied with. Government assistance is recognized in profit or loss on a systematic basis over the periods in which the related expenses are incurred. Government assistance that becomes receivable for previously incurred expenses is recognized in profit or loss in the period in which it becomes receivable.

(m) Income taxes

Income tax expense comprises current and deferred taxes. Current taxes and deferred taxes are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current taxes are the expected tax receivable or payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax receivable or payable in respect of previous years.

Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

In addition, deferred taxes are not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

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

(n) Earnings per share

The Company presents basic earnings per share ("**EPS**") data for its common voting shares. Basic EPS is calculated by dividing the profit or loss attributable to common voting shareholders of the Company by the weighted average number of common voting shares outstanding during the period, adjusted for the Company's own shares held. Diluted EPS is computed similar to basic EPS except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercise were used to acquire common shares at the average market price during the reporting periods.

3. Material accounting policies (continued)

(o) *Share-based payments*

Where equity instruments are issued and some or all of the goods or services received by the Company as consideration cannot be specifically identified, these non-identifiable goods or services are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity instruments granted is recognized as an expense over the estimated vesting period with a corresponding increase to contributed surplus.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction. The estimate of the number of equity instruments expected to vest is revised if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense and contributed surplus reflects the revised estimate.

Market and non-vesting conditions are taken into account when estimating the fair value of the equity instruments granted and therefore the expense is recognized irrespective of whether or not the market condition is satisfied, provided that all other vesting conditions are satisfied.

(n) *Leases*

The leases for which the Company has entered into are considered low value leases, with an expected lease term ending within twelve (12) months of the current reporting period. The low value leases are expensed on a straight-line basis over their remaining lease term, which was determined to be the most representative method to recognize the benefit obtained from the low value leases.

(o) *Adoption of new accounting policies*

Amendments to IAS 1, Presentation of Financial Statements ["IAS 1"] and IFRS Practice Statement ["PS"] 2, Making Materiality Judgments

In February 2021, amendments were issued to IAS 1 and IFRS PS 2, which provide guidance and examples to help entities apply materiality judgment to accounting policy disclosures. Specifically, the amendments aim to:

- Replace the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies; and
- To add guidance on how to apply the concept of materiality in making decisions about accounting policy disclosures.

These amendments are effective for annual periods beginning on or after January 1, 2023. The Company's adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ["IAS 8"]

In February 2021, amendments were issued to IAS 8, in which it introduces a new definition of "accounting estimates." The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

These amendments are effective for annual periods beginning on or after January 1, 2023. The Company's adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

3. Material accounting policies (continued)

(p) *New standard not yet adopted*

Amendments to International Accounting Standard (“IAS”) 1

In January 2020 and October 2022, amendments were issued to IAS 1, which provide requirements for classifying liabilities as current or non-current. Specifically, the amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification; and
- Disclosures

The amendments must be applied retrospectively for annual reports beginning after January 1, 2024. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

4. Accounts receivable

| As at December 31 | 2023 | | 2022 | |
|---------------------------|------|---------|------|---------|
| Trade accounts receivable | \$ | 135,321 | \$ | 190,998 |
| Other accounts receivable | | 2,876 | | 2,400 |
| | \$ | 138,197 | \$ | 193,398 |

As at December 31, 2023 and 2022, there was one customer with amounts owing greater than 10% of the Company's trade accounts receivable which comprised the entire balance. During the year-ended December 31, 2023 and December 31, 2022, the Company did not have any accounts receivable write offs.

5. Inventory

Inventory consists of finished product available for sale to customers. Inventory expensed as part of cost of goods sold during the year ended December 31, 2023 totaled \$332,289 (2022 – \$963,043). During the year ended December 31, 2023, the Company wrote-off \$66,132 of inventory (2022 – \$nil). Inventory written off during the year ended December 31, 2023 was expired or was otherwise unusable, and was written off through cost of goods sold on the consolidated statement of net loss and comprehensive loss.

6. Bank indebtedness

The Company's line of credit from its primary financial institution provides access to maximum aggregate proceeds of \$3,000,000. The line of credit carries a floating interest rate on standard commercial terms, calculated daily, and is repayable as to principal amount drawn and accrued and unpaid interest thereon upon demand. As at December 31, 2023, the drawn amount on the line of credit is \$1,602,059 (2022 – \$661,726). During the year-ended December 31, 2023, the amount of interest paid in relation to the line of credit is \$76,899 (2022 – \$15,408), and is included within finance expense on the consolidated statement of net loss and comprehensive loss. The collateral for the line of credit was provided by a director of the Company, see note 8(d) and note 12 below for more information.

7. Intangible assets

| Cost | | Licenses |
|--|-----------|----------------|
| Balance, December 31, 2021 | \$ | 1,758,280 |
| Amortization | | (107,725) |
| Effects of movements in exchange rates | | 28,847 |
| Balance, December 31, 2022 | \$ | 1,679,402 |
| Amortization | | (321,905) |
| Derecognition of marketing rights | | (150,354) |
| Impairment | | (942,623) |
| Balance, December 31, 2023 | \$ | 264,520 |

On August 30, 2017, the Company acquired exclusive territorial licenses from RLS to sell and market two generic cancer drugs, pemetrexed and bortezomib in the USA, Canada and the EU (excluding the UK where a non-exclusive territorial license was acquired).

The initial amortization period pertaining to the pemetrexed intangible assets was 10 years. During the year ended December 31, 2022, management applied a prospective change to the amortization period of the pemetrexed license to decrease the amortization period of the asset by 5 years, due to increased competition within the EU, and US marketplaces, and the introduction of additional formats of pemetrexed in which the Company does not have approval for.

During the year ended December 31, 2022, the Company obtained approval for bortezomib within the US market. As a result of the approval, the Company began amortizing the intangible license pertaining to bortezomib for both the EU and the US. The amortization period selected for bortezomib was five years, given the characteristics of the product are similar to pemetrexed, and there is a considerable amount of competition for the product within the market.

The Company recorded a \$942,623 (2022 – nil) impairment loss on the intangible assets relating to the licenses of bortezomib and pemetrexed for the EU, UK and the USA, to write down the value of the intangible assets to their fair market value, less costs to sell. The impairment loss is recorded within other (expenses) income on the consolidated statement of net loss and comprehensive loss. Subsequent to the year ended December 31, 2023, the Company entered into an amendment to the August 30, 2017 agreement with RLS whereby Waverley Pharma agreed to transfer the ownership of the US Abbreviated New Drug Applications for both pemetrexed and bortezomib, back to RLS in exchange for consideration of \$264,520. As a result, the Company has classified said assets as held-for-sale as at December 31, 2023.

The Company also derecognized its capitalized marketing option to license pemetrexed and bortezomib in any territory outside of the USA or Europe, as the Company does not see as a commercially viable option for these products outside the USA or Europe. The derecognition of this intangible asset was offset against the license fee payable amount relating to this marketing option on the consolidated statement of financial position.

Amortization expense for all intangible assets is included within selling, general and administrative expenses on the consolidated statement of net loss and comprehensive loss.

8. Capital stock

(a) Authorized

The Company has authorized share capital of an unlimited number of common voting shares.

Waverley Pharma Inc.
Notes to the Consolidated Financial Statements
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8. Capital stock (continued)

(b) Shares issued and outstanding

Shares issued and outstanding are as follows:

| | Number of Common Shares | Amount |
|-----------------------------------|-------------------------|---------------------|
| Balance, December 31, 2021 | 54,000,000 | \$ 7,000,100 |
| Balance, December 31, 2022 | 54,000,000 | \$ 7,000,100 |
| Balance, December 31, 2023 | 54,000,000 | \$ 7,000,100 |

(c) Stock option plan

The Company has an incentive stock option plan whereby the Company may grant to directors, officers, employees and contractors incentive stock options (the “options”) to purchase voting common shares of the Company. The terms and conditions of each option granted under the stock option plan are determined by the Board of Directors. The number of common shares reserved for issuance upon the exercise of options is limited to a maximum of 10% of the issued and outstanding common shares of the Company at any time.

Expected volatility was estimated by reference to comparable listed entities. The Company did not record any stock-based compensation expense for the year ended December 31, 2023 or December 31, 2022 as all outstanding options were fully vested. Any recoveries recorded through stock-based compensation are based on forfeiture of stock options previously issued, that had not vested by the date of forfeiture. The expected life of stock options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Changes in the number of options outstanding during the years ended December 31, 2023 and 2022 are as follows:

| Year ended December 31 | 2023 | | 2022 | |
|------------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
| | Number of Options | Weighted average exercise price | Number of Options | Weighted average exercise price |
| Balance, beginning of period | 1,075,000 | \$ 0.34 | 1,075,000 | \$ 0.34 |
| Forfeited | - | - | - | - |
| Balance, end of period | 1,075,000 | \$ 0.34 | 1,075,000 | \$ 0.34 |
| Options exercisable, end of period | 1,075,000 | \$ 0.34 | 1,075,000 | \$ 0.34 |

The following is a summary of the 1,075,000 outstanding options issued under the stock option plan:

| Exercise price | Number outstanding | Weighted average remaining contractual life | Number exercisable | Weighted average remaining vesting period |
|----------------|--------------------|---|--------------------|---|
| \$ 0.100 | 250,000 | 1.1 years | 250,000 | - |
| \$ 0.200 | 225,000 | 3.3 years | 225,000 | - |
| \$ 0.500 | 600,000 | 3.8 years | 600,000 | - |
| | 1,075,000 | | 1,075,000 | |

8. Capital stock (continued)

(d) Warrants

The fair value of the warrants outstanding as at December 31, 2023 was estimated using the following Black-Scholes Model assumptions:

| | |
|------------------------|---------|
| Expected life | 5 years |
| Expected volatility | 55.00% |
| Risk free rate | 0.97% |
| Underlying share price | \$0.11 |
| Strike price | \$0.11 |

Changes in the number of warrants outstanding during the years ended December 31, 2023 and 2022 are as follows:

| Year ended December 31 | 2023 | | 2022 | |
|---|------------|---------------------------------|------------|---------------------------------|
| | Warrants | Weighted average exercise price | Warrants | Weighted average exercise price |
| Balance, beginning of period ⁽¹⁾ | 10,000,000 | \$ 0.11 | 10,000,000 | \$ 0.11 |
| Balance, end of period | 10,000,000 | \$ 0.11 | 10,000,000 | \$ 0.11 |

(1) On August 05, 2021, the Company entered into an agreement with its primary financial institution, pursuant to which the financial institution provided the Company with a line of credit with maximum aggregate proceeds of \$3,000,000. The collateral necessary to secure the line of credit was provided by a director of the Company. To compensate the director for providing the collateral for the line of credit, the Company granted the director 10,000,000 warrants. Each warrant entitles the holder to purchase one (1) common share of the Company and are exercisable within five years of the date of grant at an exercise price of \$0.11 per common share. On the initial grant date of the warrants the Company recognized an other asset on its consolidated statement of financial position of \$521,894 as a result of this arrangement, equal to the fair value of the warrants issued, which were calculated using the Black-Scholes pricing model. The Company is amortizing the warrants asset on a straight-line basis over five years, consistent with the contractual term of the warrants issued and expected time to settle the line of credit obtained. During the year ended December 31, 2023, amortization of \$104,379 (2022 – \$104,379) was recorded within selling, general and administrative expenses on the consolidated statement of net loss and comprehensive loss.

(e) Per share amounts

The weighted average number of common voting shares outstanding for the years ended December 31, 2023 and 2022 was 54,000,000. Effects of dilution from 1,075,000 (2022 – 1,075,000) options and 10,000,000 (2022 – 10,000,000) warrants were excluded from the calculation of weighted average shares outstanding for diluted loss per share for the years ended December 31, 2023 and 2022 as they are anti-dilutive.

9. Government Assistance

On June 29, 2020 the Company received \$40,000 as an interest-free loan from the government of Canada as part of the Canada Emergency Business Account (“CEBA”) program. The term loan is interest free until December 31, 2023, with an option for an extension until December 31, 2025 at an interest rate of 5% per annum. The amount had been previously recorded at its fair value which is approximately the amount noted within the CEBA loan agreement. During the year ended December 31, 2023, the Company repaid the CEBA loan. As a result, there are no liabilities recorded pertaining to the CEBA loan as at December 31, 2023 (2022 - \$40,000).

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10. Income taxes

As at December 31, 2023 and 2022, the Company has unused tax losses and deductible temporary differences for which no deferred tax asset has been recognized as follows:

| As at December 31 | 2023 | | 2022 | |
|----------------------------------|------|-----------|------|-----------|
| Non-capital loss carryforwards | \$ | 5,025,938 | \$ | 4,334,034 |
| Deductible temporary differences | | 1,478,403 | | (219,326) |

The reconciliation between income tax expense and the accounting loss multiplied by the combined federal and provincial income tax rate is as follows:

| Year ended December 31 | 2023 | | 2022 | |
|---|------|-------------|------|-----------|
| Loss for the year | | | | |
| Canada | \$ | (2,001,700) | \$ | (877,388) |
| Foreign | | (222,348) | | 213,312 |
| | \$ | (2,224,048) | \$ | (664,076) |
| Income tax recovery at Canadian statutory rate of 27.0% | \$ | (600,493) | \$ | (179,300) |
| Impact of lower tax rates in foreign jurisdictions | | 27,565 | | (14,423) |
| Non-deductible expenses | | - | | - |
| Taxable loss carry-forwards and deductible temporary differences not recognized | | 572,928 | | 193,723 |
| | \$ | - | \$ | - |

The foreign tax rate differential is the difference between the Canadian federal and provincial statutory income tax rate and the tax rates in Ireland (12.50%) that is applicable to income earned or losses incurred by the Company's subsidiary.

As at December 31, 2023, Canadian non-capital losses available for application in future years, are approximately as follows:

| Year of expiry | |
|----------------|--------------|
| 2033 | \$ 1,587 |
| 2034 | 3,516 |
| 2035 | 738,176 |
| 2036 | 28,321 |
| 2037 | 75,421 |
| 2038 | 313,828 |
| 2039 | 495,333 |
| 2040 | 303,508 |
| 2041 | 426,972 |
| 2042 | 674,140 |
| 2043 | 632,793 |
| | \$ 3,693,595 |

Additionally, Ireland non-capital losses available for application in future years are approximately \$1,332,344 and are estimated to be available for use for an indefinite period of time.

11. Commitments and contingencies

(a) Commitments

As at December 31, 2023, and in the normal course of business, the Company has obligations to make future payments representing contracts and other commitments that are known and committed. The Company, through a subsidiary, WPEL has committed to an office space lease at a rate of €1,251 (CAD \$1,830) per month for a term ending October 31, 2024. All commitments are current and expected to be settled within one year, of December 31, 2023.

(b) Contingencies

June 7, 2018 agreement

On June 7, 2018, the Company entered into a license, manufacture, supply, marketing and distribution agreement with RLS by which the Licensor granted the Company an exclusive territorial license to market and sell capecitabine in the UK and Germany and non-exclusive territorial license to market and sell temozolomide in the UK. Additionally, the Company has assumed the obligations associated with binding contracts held by the Licensor for the supply of these products to the UK NHS. All inventory purchased for resale will be purchased from RLS, in accordance with the June 7, 2018 agreement.

In connection with the signing of the June 7, 2018 agreement, the Company entered into a profit and/or loss sharing arrangement resulting in a portion of the net profits, after a margin deduction to the Company on the sales of capecitabine and temozolomide, to be paid to RLS. During the year ended December 31, 2023, the Company recorded a recovery of \$29,690 pertaining to the profit and/or loss sharing arrangement. The recovered amount was applied against any outstanding royalty payable associated with the August 30, 2017 agreement, discussed below. During the year ended December 31, 2022, the Company did not record any amounts pertaining to the profit and/or loss sharing arrangement due to delays in the completion of the assessment.

August 30, 2017 agreement

On August 30, 2017, the Company entered into a license, manufacture and supply agreement with RLS (the “**2017 Agreement**”) whereby it acquired exclusive licenses to sell and market two generic cancer drugs, pemetrexed and bortezomib from RLS, in the USA, Canada and Europe (excluding the UK where a non-exclusive license was acquired). An up-front payment of US \$20,000 was made upon signing of the term sheet on July 5, 2017 and a US \$180,000 payment was made upon signing of the 2017 Agreement. Additional payments of US \$1,200,000 are payable upon certain development and approval based milestones being met and as at December 31, 2023, there are no amounts recorded as license fee payable pertaining to the 2017 Agreement (2022 - \$158,301). Additionally, the Company will purchase inventory and pay a royalty of 7.5% of its net sales from these two products to the Licensor. During the year-ended December 31, 2023, the Company recorded a royalty expense of \$5,812 (2022 – \$24,464) in relation to sales of pemetrexed within the UK. This amount is recorded within cost of goods sold in the consolidated statement of net loss and comprehensive loss. At December 31, 2023, nil (2022 – \$39,850) is recorded as royalties payable within accounts payable and accrued liabilities on the consolidated statement of financial position. The Company has not started the commercialization of bortezomib as at December 31, 2023, therefore, the Company has not accrued for or expensed any royalties pertaining to bortezomib as at December 31, 2023. The term of the 2017 Agreement is a period of ten (10) years, which begins when regulatory approval is obtained in the USA.

Subsequent to the year ended December 31, 2023, the Company entered into an amendment to the 2017 Agreement with RLS whereby Waverley Pharma agreed to transfer the ownership of the US ANDAs for both pemetrexed and bortezomib back to RLS in exchange for consideration of \$264,520. As a result, the Company has classified said assets as held-for-sale as at December 31, 2023.

Importation Value Added Tax Contingency

On October 7, 2020, the Company was made aware that the importation VAT its wholesaler had paid on its behalf from October 2018 to September 2019 had been rejected by Her Majesty’s Revenue and Customs (“**HMRC**”). As a result of the rejection, the Company was required to expense the VAT on import of its product into the UK from October 2020 until May 2021.

11. Commitments and contingencies

(b) Contingencies (continued)

During the year ended December 31, 2023, the Company was able to apply the previously expensed VAT on import towards its outstanding VAT liability, resulting in the Company recording a recovery of \$48,952 during the current year (2022 – \$297,989). The recovery of importation VAT previously expensed has been included in other income on the consolidated statement of net loss and comprehensive loss. As at December 31, 2023, all previously expensed VAT has been recovered from HMRC.

12. Related party transactions

(a) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company. The Board of Directors, CEO and CFO of the Company are considered to be key management personnel. The CEO of the Company is a consultant through a consulting agreement which was signed on February 1, 2020.

The following table details the compensation paid to key management personnel:

| For the year ended December 31 | 2023 | | 2022 | |
|--|------|--------|------|---------|
| Salaries, fees and short-term benefits | \$ | 88,500 | \$ | 130,708 |
| | \$ | 88,500 | \$ | 130,708 |

(b) Transactions with related parties

Directors and key management personnel control 75% of the voting shares of the Company as at December 31, 2023 (2022 - 75%).

During the year ended December 31, 2023, the Company paid GVI Clinical Development Solutions Inc. (“GVI CDS”) a company controlled by a director of the Company, a total of \$1,375 (2022- \$6,745) for business administration services, and \$72,435 (2022 – \$98,004) for regulatory affairs consulting.

These transactions were in the normal course of business and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at December 31, 2023, included in accounts payable and accrued liabilities is \$36,803 (2022 – \$3,163) payable to GVI CDS. All amounts owed to related parties are unsecured, payable on demand and non-interest bearing.

Effective June 1, 2022, the Company amended its agreement with its CFO through 10055098 Manitoba Ltd., amending the monthly rate from \$9,167 to \$6,750. The aforementioned fee shall be reviewed annually on January 1. The Company can terminate the agreement with 30 days written notice, otherwise the agreement has an indefinite term.

Effective October 1, 2022, the Company amended its agreement with its CFO through 10055098 Manitoba Ltd., amending the monthly rate from \$6,750 to an annual rate of \$43,500 per year. The aforementioned fee shall be reviewed annually on January 1. The Company can terminate the agreement with 30 days written notice, otherwise the agreement has an indefinite term. As of December 31, 2023, there are no amounts payable to 10055098 Manitoba Ltd as a result of this agreement (2022 - \$12,505).

On August 05, 2021, the Company entered into an agreement with its primary financial institution, pursuant to which the financial institution provided the Company with a line of credit with maximum aggregate proceeds of \$3,000,000. The collateral necessary to secure the line of credit was provided by a director of the Company. To compensate the director for providing the collateral for the line of credit, the Company granted the director 10,000,000 warrants. Each warrant entitles the holder to purchase one (1) common share of the Company and is exercisable within five years of the date of grant at an exercise price of \$0.11 per common share.

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13. Expenses by nature

Expenses incurred for the years ended December 31, 2023 and 2022 are as follows:

| For the year ended December 31 | 2023 | | 2022 | |
|--|------|-----------|------|-----------|
| Salaries, fees and short-term benefits | \$ | 193,127 | \$ | 222,993 |
| General and administrative | | 693,285 | | 608,258 |
| Inventory costs | | 332,289 | | 963,043 |
| Professional fees | | 204,888 | | 217,919 |
| Research and development | | 234,578 | | 81,656 |
| Selling and logistics | | 36,759 | | 89,108 |
| | \$ | 1,694,926 | \$ | 2,182,977 |

14. Financial instruments

(a) Financial assets and liabilities

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the consolidated financial statements as at December 31, 2023 and 2022:

| | December 31, 2023 | | December 31, 2022 | |
|--|-------------------|------------|-------------------|------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets | | | | |
| Measured at amortized cost | | | | |
| Cash | \$ 53,015 | \$ 53,015 | \$ 133,797 | \$ 133,797 |
| Accounts receivable | 138,197 | 138,197 | 193,398 | 193,398 |
| Financial liabilities | | | | |
| Measured at amortized cost | | | | |
| Accounts payable and accrued liabilities | \$ 486,969 | \$ 486,969 | \$ 736,510 | \$ 736,510 |
| License fee payable | - | - | 158,031 | 158,031 |
| Loan payable | - | - | 40,000 | 40,000 |
| Bank indebtedness | 1,602,059 | 1,602,059 | 661,726 | 661,726 |

IFRS 13, *Fair Value Measurement*, establishes a fair value hierarchy that reflects the significance of the inputs used in measuring fair value. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable;
- Level 3 – Unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. During the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements. There were no assets listed at a level 3 fair value hierarchy as at December 31, 2023.

14. Financial instruments (continued)

(b) Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of financial risks; market risk (including foreign exchange and interest rate risks), credit risk and liquidity risk. Risk management is the responsibility of the Company, which identifies, evaluates and, where appropriate, mitigates financial risks.

(i) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and price risk with respect to equity prices.

(a) Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash and no interest-bearing debt and is not subject to significant interest rate risk.

(b) Foreign exchange risk is the risk that the fair value of future cash flows for financial instruments will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risks through the following USD and GBP denominated financial assets and liabilities:

| | December 31, 2023 | December 31, 2022 |
|--|---------------------|---------------------|
| <i>USD (Expressed in USD)</i> | | |
| Cash | \$ - | \$ - |
| Accounts receivable | - | - |
| Accounts payable and accrued liabilities | (175,000) | (175,000) |
| License fee payable | - | (116,680) |
| | \$ (175,000) | \$ (291,680) |
| <i>GBP (Expressed in GBP)</i> | | |
| Cash | £ 29,326 | £ 25,882 |
| Accounts receivable | 80,371 | 117,018 |
| Accounts payable and accrued liabilities | (74,756) | (218,571) |
| | £ 34,941 | £ (75,671) |

Based on the above net exposures as at December 31, 2023, assuming that all other variables remain constant, a 5% appreciation or deterioration of the Canadian dollar against the USD would result in a corresponding increase or decrease, respectively on the Company's net loss of approximately \$8,750 (2022 – \$14,584). Based on the above net exposures as at December 31, 2023, assuming that all other variables remain constant, a 5% appreciation or deterioration of the Canadian dollar against the GBP would result in a corresponding decrease or increase, respectively on the Company's net loss of approximately \$1,747 (2022 – \$4,000).

(c) The Company is not exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market.

14. Financial instruments (continued)

(b) Risks arising from financial instruments and risk management (continued)

(ii) Credit risk

Credit risk is the risk of financial loss to the Company if a partner or counterparty to a financial instrument fails to meet its contractual obligation and arises principally from the Company's cash and accounts receivable. The carrying amounts of the financial assets represents the maximum credit exposure.

The Company will limit its exposure to credit risk on cash by placing these financial instruments with high-credit quality financial institutions and the Company believes it has no significant credit risk regarding cash.

The Company is subject to a concentration of credit risk related to its trade accounts receivable as 100% of the balance of amounts owing is from one customer. As at December 31, 2023 none of the outstanding trade accounts receivable were outside of the normal payment terms and the Company did not record any bad debt expenses in the year ended December 31, 2023 or December 31, 2022.

(iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. In the current year, the Company's interest expense increased due to a decreased cash balance at December 31, 2023 in comparison to the prior year. Although the decrease in cash and increase in interest expense in the current year, the Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows, as well as anticipated investing and financing activities and to ensure that it will have sufficient liquidity to meet its liabilities when due and to fund future operations.

The Company's accounts payable and accrued liabilities and license fee payable are due within the current operating period.

(c) Capital management

The Company defines its capital as debt and equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its business. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Additional funds may be required to advance the Company's business.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable.

15. Determination of fair value

A number of the Company's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following models. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Intangible assets

The Company's intangible assets have been classified as held for sale as at December 31, 2023, as the Company has entered into a binding term sheet to sell its intangible assets to the Licensor. As at December 31, 2022, the fair value of intangible assets is based on the discounted cash flows expected to be derived from the use or eventual sale of the assets.

15. Determination of fair value (continued)

(b) Share-based payment transactions

Upon initial recognition, the fair value of options is measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on comparable listed entities), expected life of the instruments, expected dividends and the risk-free interest rate (based on government bond yields). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

16. Segmented information

The Company operates in one business segment, the biopharmaceutical industry. The Company's intangible assets are located in Canada. All of the Company's revenue was generated from product sales within the UK, with one customer accounting for 100% of total revenue for the year ended December 31, 2023.