

SIRONA BIOCHEM CORP.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED APRIL 30, 2024

SIRONA BIOCHEM CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

As at	April 30, 2024	October 31, 2023
ASSETS		
Current Assets		
Cash	\$ 27,292	\$ 571,494
Trade and other receivables (Note 6)	41,830	35,991
Tax receivables (Note 7)	640,983	408,445
Prepaid expenses and deposits (Note 8)	5,707	7,127
	\$ 715,812	\$ 1,023,057
Equipment, net of accumulated depreciation	4,161	\$ 9,016
	\$ 719,973	\$ 1,032,073
LIABILITIES		
Current Liabilities		
Trade and other payables (Note 9)	\$ 915,511	\$ 1,223,064
Current portion of long-term debt (Note 10)	168,935	183,776
Current portion of lease obligation (Note 11)	-	5,886
Short-term loan (Note 15)	1,031,935	453,879
	2,116,381	1,866,605
Long-term debt (Note 10)	-	49,586
Employee benefits (Note 13)	143,015	137,401
Convertible debentures (Note 14)	1,530,799	1,489,846
	3,790,195	3,543,438
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (Note 16)	34,959,983	34,660,835
Subscription receivable	(10,000)	-
Share to be issued	-	49,500
Contributed surplus (Note 16)	7,505,133	7,329,336
Equity portion of convertible debenture (Note 14)	25,527	25,527
Foreign translation reserve	(500,240)	(675,805)
Accumulated deficit	(45,050,625)	(43,900,758)
	(3,070,222)	(2,511,365)
	\$ 719,973	\$ 1,032,073

APPROVED ON BEHALF OF THE BOARD:

<u>"Howard Verrico"</u>	Director	<u>"Alex Marazzi"</u>	Director
Howard Verrico		Alex Marazzi	

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

SIRONA BIOCHEM CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Three Months Ended April 30, 2024	Three Months Ended April 30, 2023	Six Months Ended April 30, 2024	Six Months Ended April 30, 2023
Revenue (Note 12)	11,073	59,514	\$ 12,644	\$ 59,514
Expenses				
Accounting and audit fees (Note 17)	23,002	53,958	51,743	101,103
Consulting fees	199,998	15,058	212,562	29,053
Depreciation	2,454	2,395	4,855	4,790
Exchange (gain)/loss	347	780	765	1,112
Filing fees and transfer agent fees	21,143	19,914	25,956	30,166
Investor relations	18,075	17,333	21,336	43,333
Legal fees	28,000	51,300	35,442	79,679
Management fees and bonus (Note 17)	-	49,151	30,106	94,310
Office and administration	81,615	77,821	166,005	158,397
Rental expenses	5,069	9,249	12,415	18,448
Research expenses (net)	49,950	481,405	343,418	766,860
Share-based payments (Note 17)	-	-	188,394	30,502
Travel and entertainment	568	3,073	2,015	8,776
Wages, salaries and benefits (Note 17)	2,692	37,786	5,362	75,013
	(421,840)	(759,709)	(1,087,730)	(1,382,028)
Other income/(expenses)				
Other income	938	1,388	2,335	2,855
Finance expense (Notes 10, 11, 14)	2,324	(7,790)	(64,551)	(8,434)
	3,262	(6,402)	(62,216)	(5,579)
Loss for the period before income taxes	(418,578)	(766,111)	(1,149,946)	(1,387,607)
Income taxes recovery (expense)	622	2,200	79	1,370
Net loss for the period	(417,956)	(763,911)	(1,149,867)	(1,386,237)
Other comprehensive income (loss) for the period				
Foreign currency translation	87,275	84,543	(175,565)	83,369
Comprehensive loss for the period	\$ (330,681)	\$ (679,369)	\$ (1,325,432)	\$ 1,302,869
Loss per share - basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	254,322,857	251,731,526	256,454,505	251,784,444

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

SIRONA BIOCHEM CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian dollars, except share number)

	Issued common shares		Subscription receivable	Share to be issued	Contributed surplus	Equity portion of convertible debenture	Foreign translation reserve	Accumulated deficit	Total equity (deficiency)
	Number	Amount							
BALANCE, October 31, 2022	251,731,526	\$ 34,486,958	\$ -	\$ -	\$ 7,309,257	\$ -	\$ (224,132)	\$ (41,357,568)	\$ 214,515
Loss for the year	-	-	-	-	-	-	-	(1,386,237)	(1,386,237)
Issuance of stock options	-	-	-	-	30,501	-	-	-	30,501
Issuance of broker warrant	-	-	-	-	6,539	-	-	-	6,539
Exercise of options	380,000	69,461	-	-	(16,961)	-	-	-	52,500
Convertible debentures, net of issuance costs (Note 14)	-	-	-	-	-	337,698	-	-	337,698
Foreign currency translation	-	-	-	-	-	-	(83,370)	-	(83,370)
BALANCE, April 30, 2023	252,111,526	\$ 34,556,419	\$ -	\$ -	\$ 7,329,335	\$ 337,698	\$ (307,502)	\$ (42,743,805)	\$ (827,855)
BALANCE, October 31, 2023	253,604,505	\$ 34,660,835	\$ -	\$ 49,500	\$ 7,329,336	\$ 25,527	\$ (675,805)	\$ (43,900,758)	\$ (2,511,365)
Loss for the period	-	-	-	-	-	-	-	(1,149,867)	(1,149,867)
Private placements, net of issuance costs (Note 15)	1,325,000	107,670	(10,000)	-	23,830	-	-	-	121,500
Issuance of stock options	-	-	-	-	188,395	-	-	-	188,395
Exercise of options	1,075,000	141,978	-	-	(36,428)	-	-	-	105,550
Bonus common shares to be issued	450,000	49,500	-	(49,500)	-	-	-	-	-
Foreign currency translation	-	-	-	-	-	-	175,565	-	175,565
BALANCE, April 30, 2024	256,454,505	\$ 34,959,983	\$ (10,000)	\$ -	\$ 7,505,133	\$ 25,527	\$ (500,241)	\$ (45,050,625)	\$ (3,070,222)

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

SIRONA BIOCHEM CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED APRIL 30,

(Expressed in Canadian Dollars)

	2024	2023
Operating activities		
Net loss for the period	\$ (1,149,867)	\$ (1,386,237)
Items not requiring use of cash:		
Consulting fees	-	4,790
Depreciation	4,855	(1,370)
Income taxes expense (recovery)	(78)	7,263
Interest and accretion	40,953	-
Revaluation of warrants	-	30,502
Share-based payments	188,395	
Changes in operating assets and liabilities:		
Trade and other receivables and tax receivables	32,685	430,969
Prepaid expenses and deposits	(5,364)	11,713
Trade and other payables	(198,453)	69,697
Employee benefits	5,581	6,105
Foreign currency translation	(187,222)	(149,575)
Interest paid	38,056	-
Cash used in operating activities	(1,230,456)	(976,143)
Financing activities		
Shares issued for cash, net of share issuance costs	121,500	-
Option and warrants exercised	95,550	52,500
Repayment of lease obligation	-	-
(Repayment)/borrowings	469,719	1,400,571
Cash provided by financing activities	686,769	1,453,071
Increase in cash and cash equivalents	(543,687)	476,928
Effect of exchange rate fluctuations	(515)	9,412
Cash, beginning of period	571,494	421,519
Cash, end of period	\$ 27,292	\$ 907,859

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

SIRONA BIOCHEM CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period Ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

The Company was incorporated on October 19, 2006 under the Business Corporations Act of British Columbia. The Company is a development stage public company listed for trading on the TSX Venture Exchange (the “Exchange”) under the symbol SBM. The Company is a cosmetic ingredient and drug discovery company with a proprietary technology platform developed at its laboratory facility in France with a specialization in the stabilization of carbohydrate molecules. The principal activities of the Company are dedicated to the development of safer, more effective cosmetic and pharmaceutical active ingredients which are licensed to partners in exchange for upfront, milestone and royalty payments.

The head office, principal address and registered and records office of the Company are located at WeWork – 595 Burrard Street, Vancouver, BC, V7X 1L4.

2. BASIS OF PRESENTATION AND GOING CONCERN

Statement of compliance

The unaudited condensed interim consolidated financial statements (the “Interim Financial Statements”) include the accounts of the Company and its wholly owned subsidiary, TFChem S.A.R.L. Any reference to “the Company” throughout these Interim Financial Statements refers to the Company and its subsidiary. All inter-entity transactions have been eliminated. The results of the operations of the subsidiary acquired during the year are included from the date of acquisition.

The Interim Financial Statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”), using the accounting policies the Company adopted in its consolidated financial statements as at and for the financial year ended October 31, 2023.

These condensed interim financial statements were authorized for issue by the Board of Directors on June 20, 2024.

Going concern

These consolidated financial statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. To date, the Company has not achieved a scalable commercialization of its products. As of April 30, 2024, the Company has an accumulated deficit of \$45,050,625 (2023 - \$43,900,758). For the period ended April 30, 2024, the Company incurred a net loss of \$1,149,867 (2023 – \$1,386,237) and used net cash in operating activities of \$1,230,456 (2023 – \$976,143).

The Company’s ability to continue as a going concern is dependent upon its ability to generate product sales, negotiate collaboration or license agreements with upfront payments, raise additional funding via debt and equity financing, and ultimately attain and maintain profitable operations. While the Company is striving to act on these initiatives, there is no assurance that these and other strategies will be successful or sufficient to permit the Company to continue as a going concern.

These circumstances comprise a material uncertainty which may cast significant doubt as to the Company’s ability to continue as a going concern. These consolidated financial statements do not reflect adjustments to the carrying values of the Company’s assets and liabilities, revenue and expenses, and the

SIRONA BIOCHEM CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period Ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

statement of financial position classifications used, that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

Basis of measurement

These consolidated financial statements have been prepared on a historical costs basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional and reporting currency. The functional currency of its wholly owned subsidiary, TFChem S.A.R.L. ("TFC"), is the Euro.

Use of estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses for the periods reported. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, and may change if new information becomes available. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. See Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, TFC, a biopharmaceutical company based in Rouen, France.

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All inter-company balances and transactions between the Company and its wholly-owned subsidiary have been eliminated in preparing the consolidated financial statements.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company and its subsidiary at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in other than the functional currency are translated at the exchange rates in effect at the financial position date. The resulting exchange gains and losses are recognized in profit or loss. Non-monetary assets and liabilities denominated in other than the functional currency that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in other than the functional currency are translated using the exchange rate at the date of transaction.

SIRONA BIOCHEM CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period Ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

Foreign operations

For consolidation purposes, the assets and liabilities of foreign operations are translated to the presentation currency using the exchange rate prevailing at the financial position date. The income and expenses of foreign operations are translated to the presentation currency using the average rates of exchange during the year. All resulting exchange differences are recorded as other comprehensive loss and accumulated in a separate component of shareholders' equity (deficiency), described as foreign translation reserve.

Financial instruments

Classification

On initial recognition, the Company determines the financial instruments classification as per the following categories:

- instruments measured at amortized cost;
- instruments measured at fair value through other comprehensive income ("FVOCI") or through net income ("FVTPL").

The financial instruments' classification under IFRS 9 is based on the business model in which a financial asset is managed and on its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial instrument in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments held for trading are classified as FVTPL. For all other equity investments that are not held for trading, the Company, on initial recognition, may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

Financial liabilities are measured at amortized cost unless they must be measured at FVTPL (such as derivatives) or if the Company elects to measure them at FVTPL.

Measurement

Financial instruments at amortized cost

Financial instruments at amortized cost are initially measured at fair value, and subsequently at amortized cost, using the effective interest method, less any impairment loss. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statements of loss and comprehensive loss.

Financial instruments at fair value

Financial instruments are initially and subsequently measured at fair value and transaction costs are accounted for in the consolidated statements of loss and comprehensive loss. When the Company elects

SIRONA BIOCHEM CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period Ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

to measure a financial liability at FVTPL, gains or losses related to the Company's own credit risk are accounted for in the consolidated statements of loss and comprehensive loss.

Impairment

The Company recognizes loss allowances for expected credit losses (“ECL”) on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets (as defined in IFRS 15).

The Company measures loss allowances on amounts receivable at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Presentation of allowance for ECL in the consolidated statements of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

SIRONA BIOCHEM CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period Ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

Derecognition

Financial assets

The Company derecognizes a financial asset when, and only when, the contractual rights to the cash flows from the financial asset have expired or when contractual rights to the cash flows have been transferred.

Financial liabilities

The Company derecognizes a financial liability when, and only when, it is extinguished, meaning when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the extinguished financial liability and the consideration paid or payable, including non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of loss and comprehensive loss.

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid instruments that are readily convertible to cash with a maturity of three months or less when initially purchased. There were no cash equivalents as at April 30, 2024 and October 31, 2023.

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are classified in current assets, except for the portion expected to be realized or paid beyond 12 months of the consolidated statements of financial position date, if any, which are classified as non-current. Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognized at fair value. Trade receivables are held with the objective of collecting contractual cash flows and classified as subsequently at amortized cost using the effective interest method.

Equipment

Items of equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset and bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of replacing a part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of day-to-day servicing of equipment (i.e. repairs and maintenance) are recognized under expenses in the consolidated statements of loss and comprehensive loss as incurred.

Depreciation is calculated based on the cost of the asset, less its estimated residual value. Depreciation is recognized in the consolidated statements of loss and comprehensive loss on a straight-line basis over the estimated useful lives of each asset. The estimated useful lives for the Company's equipment at April 30, 2024 is as follows:

- Industrial equipment 3 to 6 years

An item of equipment is derecognized when it is either disposed of or when it is determined that no further economic benefit is expected from the item's future use or disposal. Gains and losses on disposal of an item of equipment is determined by comparing the proceeds from disposal, less associated costs of disposal, with the carrying amount of equipment, and is recognized in other income/(expenses) in the consolidated statements of loss and comprehensive loss.

SIRONA BIOCHEM CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period Ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

Leases

At inception of a contract, the Company must assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset over a period of time in exchange for consideration. The Company must assess whether the contract involves the use of an identified asset, whether it has the right to obtain substantially all of the economic benefits from the use of the asset during the term of the contract and if it has the right to direct the use of the asset. As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease.

Right-of-use asset

The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made and any initial direct costs incurred at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received. The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Lease liability

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. Lease payments included in the measurement of the lease liability comprise: fixed payments; variable lease payments that depend on an index or a rate; amounts expected to be payable under any residual value guarantee; the exercise price under any purchase option that the Company would be reasonably certain to exercise; lease payments in any optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for any early termination of a lease unless the Company is reasonably certain not to terminate early. The Company has elected to not include non-lease components related to premises leases in the determination of the lease liability.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to income on a straight-line basis over the lease term.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. Fair value less costs to sell is defined as the estimated price that would be received on the sale of the asset in an orderly transaction between market participants at the measure date. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other groups of assets.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of the cash generating units are allocated first to reduce the carrying amount of any

SIRONA BIOCHEM CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period Ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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 only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions

Provisions for legal or constructive obligations are recognized when the Company has a present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Share capital

The Company's ordinary common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, warrants and stock options, net of any tax effects, are recognized as a deduction from equity.

Revenue recognition

The Company from time to time enters into licensing and collaboration agreements. The terms of the agreements may include non-refundable signing and licensing fees, milestone payments and royalties on any product sales derived from licensing arrangements.

The Company will only recognize revenue if a contract meets the following parameters: when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. Once it is determined that a contract exists, the Company will evaluate the performance obligations within the agreement. Performance obligations will be analysed to determine whether they are distinct or whether they must be accounted for as a single unit of multiple related distinct goods and services. The Company will then perform an analysis to determine the total transaction price that it expects to receive from satisfying the performance obligations in the agreement.

If the contract also provides for development and regulatory milestone payments, royalties and sales-based milestone payments, these amounts are contingent on the occurrence of a future event and therefore give rise to variable consideration. The Company estimates variable consideration at the most likely amount to which it expects to be entitled. Estimated amounts are included in the transaction price when it becomes highly probable that the amount will not be subject to significant reversal when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of anticipated performance and all information (historical, current and forecasted) that is reasonably available. Based on this information and related analysis, any quarterly adjustments to revenue are recognized as necessary in the period they become known.

SIRONA BIOCHEM CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period Ended April 30, 2024 and 2023
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The upfront license fee is not considered a significant financing component because it is used to meet working capital demands that can be higher in the early stages of a contract and to protect the Company from the other party failing to adequately complete some or all of its obligations under the contract.

Sales-based royalty revenue and sales-based milestone payments will be recognized when the later of the following events occurs: the subsequent sale occurs or the performance obligation to which some or all of the sales-based royalty or sales-based milestone payment has been allocated has been satisfied. The calculated transaction price will then be allocated to the separate performance obligations based upon the relative standalone selling price of the performance obligations. If a standalone selling price cannot be determined a residual approach may be used to estimate the standalone selling price when the selling price for a good or service is highly variable or uncertain.

Contract asset

The Company's right to consideration in exchange for goods or services that have been transferred to a customer when that right is conditioned on something other than the passage of time (for example, the Company's future performance).

Contract liability

The Company's obligation to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customer.

Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. No development expenditures have been deferred to date.

Research and development costs includes fees paid to contract research organizations and other vendors who conduct certain research and development activities on behalf of the Company. The amount of expenses recognized in a period related to research arrangements with third parties is based on estimates of work performed using an accrual basis of accounting. These estimates are based on services provided, contractual terms and experience with similar contracts. The Company monitors these factors and adjusted the estimates accordingly.

Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Long term employee benefits

A provision is recognized for benefits accruing to employees when it is probable that settlement will be required and it is capable of being measured reliably. Provisions recognized in respect of employee benefits which are not due to be settled within one year are measured at the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to the reporting date. As of April 30, 2024, and October 31, 2023, the employee benefit provision represents the retirement allowance payable accrued by TFC.

SIRONA BIOCHEM CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period Ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

Convertible debentures

Convertible debt that may be settled with cash or another financial asset or is convertible into a fixed number of common shares is bifurcated into a debt portion and an equity portion. The debt portion is a financial liability which represents the obligation to pay interest on the convertible debt in the future. The fair value of the debt portion at issuance is determined based on the present value of future cash flows discounted at a borrowing rate available for similar non-convertible debt. The residual amount is recognized as the equity portion at issuance and is not subsequently re-measured. The debt portion is subsequently measured at amortized cost.

Transaction costs related to the issue of convertible debt are allocated to the debt and equity components in proportion to their initial carrying amounts. The equity portion is presented net of the allocated portion of transaction costs. Transaction costs related to the debt portion are net against the carrying amount of the debt portion and are amortized over the term of the convertible debt using the effective interest method.

Convertible debt that may be settled with cash or another financial asset or is convertible into a variable number of common shares is bifurcated into a debt portion and a derivative liability portion. The derivative liability is measured at fair value on the date of issuance.

Share-based payment transactions

The Company awards shares of the Company's stock or stock options to directors, officers, employees and/or third-party goods/service providers and uses the fair-value based method of accounting for share-based compensations for all awards granted. The resulting compensation expense, based on the fair value of the awards granted is charged to profit or loss over the period that the employees unconditionally become entitled to the award or when goods/services are rendered, with a corresponding increase to contributed surplus. Any consideration received on exercise of stock options or purchase of shares, together with the amount initially recorded in contributed surplus, is credited to share capital.

The Board of Directors grants stock options with vesting periods determined at the sole discretion of the Board and at prices reflecting the share price on the date the options were granted. An individual is classified as an employee when the individual is an employee for legal or tax purposes ("direct employee") or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value of employee stock options granted is measured using the Black-Scholes option pricing model as of the grant date, taking into account the terms and conditions upon which the options are granted. The cumulative expense recognized 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 options that will ultimately vest. The compensation expense for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Where the terms of a stock option are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

SIRONA BIOCHEM CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period Ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

Government assistance and research and development tax credits

Government assistance and research and development tax credits are recorded as either a reduction of the cost of the applicable assets or credited against the related expense incurred in profit or loss, as determined by the terms and conditions of the agreements under which the assistance is provided to the Company or the nature of the expenditures which give rise to the credits.

Government assistance is recorded at fair value when there is reasonable assurance that the grants will be received, and the Company will comply with all attached conditions. Research and development tax credits are accrued when qualifying expenditures are made and there is reasonable assurance that the credits will be realized.

The benefit of loans from government at a below-market interest rate are measured and recognized as the difference between the amount expected to be received less, when material, a discount to reduce the loan to fair value. The benefit amount is presented with the carrying value of the loans as long-term debt in the consolidated financial statements of financial position. The benefit amount will be amortized over the repayment period of the loans and the accretion of the loans will be amortized using the effective interest method.

Income taxes

The Company follows the asset and liability method of accounting for income tax. Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statement of comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination, nor is it recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the 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, 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 liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Other comprehensive income (loss)

Other comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net income (loss) such as unrealized gains or losses on

SIRONA BIOCHEM CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period Ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

available-for-sale investments and translation gains or losses on translation of foreign operations to the presentation currency of the Company.

Segment reporting

Operating segments are defined as components of an enterprise about which separate discrete information is available for evaluation by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company views its operations and manages its business in one operating segment.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the profit (loss) for the year attributable to ordinary common shareholders of the Company by the weighted average number of common shares outstanding during the year, adjusted for treasury shares. Diluted earnings (loss) per share is calculated using the treasury stock method.

Under the treasury stock method, the dilution is computed based upon the number of common shares issued should “in the money” options or warrants, if any, be exercised. When the effects of outstandingly share-based compensation arrangements would be anti-dilutive, diluted loss per share is not calculated. As at April 30, 2024 and October 31, 2023, stock options and warrants were not included in the computation of loss per share as they are out of the money and such inclusion would be anti-dilutive.

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical accounting judgments

The critical judgments that the Company’s management has made in the process of applying the Company’s accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements are as follows:

Evaluation of the Company’s ability to continue as a going concern

Management has applied judgements in the assessment of the Company’s ability to continue as a going concern when preparing these consolidated financial statements. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The assessment of the Company’s ability to execute its strategy and finance the operations through achieving positive cash flow from operations or by obtaining additional funding through debt or equity financing involves judgments. Management monitors future cash requirements to assess the Company’s ability to realize assets and discharge its liabilities in the normal course of operations.

Determination of functional currency of the Company

The functional currency for each of the Company and its subsidiary is the currency of the primary economic environment in which each entity operates. The determination of each entity’s functional currency requires analysing facts that are considered primary factors, and if the result is not conclusive, the secondary factors. The analysis requires management to apply significant judgment since primary and secondary factors may be mixed. In determining its functional currency, management analysed both the primary and secondary factors, including the currency of each entity’s operating cash flow, and sources of financing.

SIRONA BIOCHEM CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period Ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

Capitalization of development costs

Management applies judgement in evaluating whether or not development costs incurred by the Company in the internal development of intangible assets meet the criteria for capitalizing. Management determined that as at April 30, 2024, it was not able to demonstrate with sufficient certainty that it is probable the economic benefits will flow to the Company. Accordingly, all internal development costs incurred to date have been expensed.

Key sources of estimation uncertainty

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of the financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Impairment of trade and other receivables

The assessment of the ultimate collectability of amounts receivable and the determination of the expected credit losses requires significant estimates and assumptions. See Note 3.

Long-term employee benefits

The present value of long-term employee benefits is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating the terms of the related employee benefits. Determination of the benefit costs requires assumptions such as the discount rate to measure the employee benefits provision, the projected age of employees upon retirement, the probability of survival, the probability of employee turnover, and the amount of the employees' last month salary prior to retirement. Actual results may differ from results which are estimated based on assumptions.

Fair value calculation of liability portion of convertible debentures

The Company applied judgment and estimates when determining the fair value of its convertible debenture (see Note 14).

Revenue recognition and deferred revenue

The assessment of the timing of revenue recognition and the determination of deferred revenue requires significant estimates and assumptions. See Note 3.

Research and development expenses

The amount of research and development expenses recognized related to research arrangements with third parties is based on estimates of work performed using the accrual basis of accounting. These estimates are based on the services provided, contractual terms and experience with similar contracts.

5. NEW AND FUTURE ACCOUNTING STANDARDS AND INTERPRETATIONS

The Company has adopted following accounting standards effective November 1, 2023

Amendments to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies

SIRONA BIOCHEM CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period Ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

An amendment to IAS 1 was issued in January 2020 and applies to annual reporting periods beginning on or after January 1, 2023. The amendment clarifies the criterion for classifying a liability as non-current relating to the right to defer settlement of a liability for at least 12 months after the reporting period.

The amendments change the requirements in 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 IASB’s amendments also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

The Company adopted IAS 1 in the financial statements for the annual period beginning November 1, 2023. The adoption of this standard to have no significant impact on the Company’s financial statements.

6. TRADE AND OTHER RECEIVABLES

	April 30, 2024	October 31, 2023
Trade receivables	\$ 12,440	\$ 6,607
Other receivables	29,390	29,384
	\$ 41,830	\$ 35,991

As of April 30, 2024, there was no allowance for doubtful accounts provision. In determining the recoverability of a trade or other receivable, the Company performs a risk analysis considering the type and age of the outstanding receivable, as well as the Company’s exposure to credit and currency risks.

7. TAX RECEIVABLES

	April 30, 2024	October 31, 2023
R&D tax credit	\$ 632,180	\$402,555
GST/HST receivables	8,803	5,890
	\$ 640,983	\$408,445

SIRONA BIOCHEM CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period Ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

Tax receivables are mainly related to the research and development (“R&D”) tax credit and value added taxes (“VAT”) in France. The Company expects full recovery of the R&D tax credit, VAT and other tax receivables and GST/HST receivables based on the past receipt history and consequently has not recorded any allowance against these receivables.

8. PREPAID EXPENSES AND DEPOSITS

	April 30, 2024	October 31, 2023
Prepaid expenses and deposits	\$ 4,973	\$6,392
Other	735	735
	<u>\$ 5,707</u>	<u>\$7,127</u>

9. TRADE AND OTHER PAYABLES

	April 30, 2024	October 31, 2023
Trade payables	\$ 887,055	\$1,117,219
Other payables	28,456	105,845
	<u>\$ 915,511</u>	<u>\$1,223,064</u>

10. LONG-TERM DEBT

During the year ended October 31, 2015, TFC entered into two loan agreements with BPiFrance Financement (“BPI”) for a total amount of \$1,262,604 (€840,000). The loans were provided to TFC as a regional innovation fund to assist with TFC’s research project and the loans are non-interest bearing with fixed repayment terms, commencing April 1, 2018. The Company estimated that 14.9% was the reasonable interest rate a comparable biotechnology company in France would likely have paid in obtaining loans. During the year ended October 31, 2015, the Company received the first draw of the loan totalling \$757,562 (€504,000). During the year ended October 31, 2017, the Company received the second draw of the loan totalling \$505,042 (€336,000). Repayment terms of BPI loan are as follows:

- 23.42% of profit, excluding taxes, of sales or concessions of patent licenses or know-how collected during the year related to the research project, financed by the BPI loan;
- 23.42% of profit, excluding taxes, generated by the marketing and the sale to a third party or the Company’s own use; and
- Minimum repayments per year were postponed and commenced in December 2019.

At April 30, 2024 and October 31, 2023, long-term debt was as follows:

	April 30, 2024	October 31, 2023
Total long-term debt	\$ 168,935	\$ 233,362
Current portion	(168,935)	(183,776)
Long-term portion	<u>\$ -</u>	<u>\$ 49,586</u>

Minimum payments under the long-term debt at April 30, 2024, are as follows:

SIRONA BIOCHEM CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period Ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

2024	124,875	168,935
	€	\$
	124,875	168,935

As a result of COVID-19, BPI has granted the Company a six-month extension on the repayment terms.

11. LEASE LIABILITY

In June 2016, TFC entered into a lease agreement with NATIXIS Lease to lease a scientific instrument. The lease agreement bears interest of 2.7% annually, and expires in seven years on May 6, 2023, with monthly lease payments of \$3,518 (€2,265) or an annual lease payment of \$42,216 (€27,180). Management has assessed that the lease is a finance lease. The lease is guaranteed by BPI.

The scientific instrument was leased in June 2016, with the financed amount of €175,000 (\$256,000) being classified as a capital asset (industrial equipment) and a finance lease, with the capital asset being depreciated on a straight-line basis over the seven-year term of the lease. Under the transitional provisions of IFRS 16, when using partial retrospective application, for leases previously classified as finance leases under IAS 17, the right-of-use asset and lease liability are measured at the same amounts as under IAS 17 at the date of initial adoption. At November 1, 2019, the net book value of the capital asset would have been approximately €90,000 (\$132,000). In a prior year, the industrial equipment was written off as a research expense in the consolidated statement of loss and comprehensive loss. As at April 30, 2024, the Company has fully paid lease liability.

12. LICENSING AGREEMENTS

Manufacturing and Supply Agreement with Rodan & Fields, LLC (“R&F”) - 2019

On September 13, 2019, the Company entered into a manufacturing and supply agreement, pursuant to which the Company shall manufacture, test, label, package, store and supply R&F a minimum of 10 kilograms per year of skin lightening compound TFC-1067 for use in the United States, Canada, Australia and Japan beginning in 2020. In consideration for these services, R&F will make license fee (US\$50,000 (\$67,225) received in 2019) and milestone payments to the Company.

This agreement runs for a five-year term, with R&F having the option to extend the term for an additional three years, and is cancellable upon R&F providing the Company 30 days’ written notice. On termination of the agreement, R&F will reimburse the Company for any materials unique to R&F and which remain in the Company’s possession. The agreement terminated on December 31, 2022. The Company received termination fees of \$54,520 recorded as other income during the year ended October 31, 2023.

Agreement with Allergan Aesthetics - 2022

On June 7, 2022, the Company entered into a global exclusive licensing agreement with Allergan Aesthetics, an AbbVie company (NYSE: ABBV), pursuant to which Allergan Aesthetics will develop and commercialize topical skin care treatments based on active ingredients derived from certain of the Company’s patents for TFC-1067 and related family of compounds.

Under the license agreement, the Company will receive an upfront payment (US\$500,000 (\$640,000) received during 2022) and further payments on achievement of milestones and royalties on product sales and has also agreed to financial terms as a supplier of its compounds.

SIRONA BIOCHEM CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period Ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

13. EMPLOYEE BENEFITS

As at April 30, 2024 and 2023, the employee benefits amount represents the retirement allowance provision accrued by TFC. The obligation of TFC is limited to legal obligations applicable in France. For each employee, a calculation is made based on future benefits they have earned during their service in the current and prior years. The benefit is discounted to determine its present value. The calculation is made annually using the projected benefit method using the following assumptions:

- Discount rate 3.68% (2022: 3.68%)
- Increase in salaries: 1.0% (2022: 1.0%);
- Turnover: ranging from 1% to 7% (2022: 1% to 7%) for under 60 (2022: under 60) years old and 0% (2022: 0%) over 60 (2022: over 60) years old; and
- Payroll tax rate: 40% (2022: 40%).

The assumptions used are in accordance with French legislation and practice.

14. CONVERTIBLE DEBENTURES

On April 20, 2023, the Company issued the convertible debenture (the “Debenture”) for a total amount of \$1,751,232 (the “Face value”), comprised of \$1,563,600 (the “Principal”) and \$187,632 (the “Pre-Paid Interest”). Principal of the Debenture will bear interest from the date of issue at 12% per annum, and such accrued interest is payable semi-annually in arrears. Principal of the Debenture will be convertible into units of the Company at the election of the Debenture holders, at a conversion price of \$0.10 per unit, if converted at any time prior to the April 21, 2026 (the “Maturity Date”), subject to adjustment in certain circumstances. Upon conversion of Principal, Prepaid interest and unpaid accrued interest, will be at the election of the Company either paid in cash or shares. Subject to the prior acceptance of the Exchange, the conversion price for amounts of Prepaid Interest and accrued interest paid in shares will be equal to the maximum discounted market price as permitted by the Exchange policy, based on the closing price of the common shares on the date immediately preceding the interest payment due date (the “Interest Conversion Price”).

Each Unit will consist of one common share of the Company and one common share purchase warrant of the Company. Each warrant will be exercisable into one common share at a price of \$0.15 per common share at any time prior to April 21, 2026.

Any Principal amount together with any Prepaid and accrued interest thereon as of the Maturity Date will be paid in full by the Company as at such date. For Debentures held until the maturity date, the Company will have the option to (a) repay the holders the Principal in cash amount of the Debenture, plus all Prepaid Interest and unpaid accrued interest; or (b) subject to the dissemination of a news release disclosing same and receipt of prior acceptance of the Exchange, repay all of the Principal amount of the Debenture in Units at the lesser of (i) \$0.10 and (ii) the maximum discounted market price based on the Company’s closing price on the date immediately preceding the maturity date (the “Principal Conversion Price”).

The Company may redeem the Debentures prior to the Maturity Date at any time after 6 months from the issue date, by paying holders in cash the Face Value of the Debentures, together with all accrued interest and Prepaid interest and a redemption penalty payment of 8% of the Face Value.

SIRONA BIOCHEM CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period Ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

In connection with the Debenture financing arrangement, \$12,500 commission was paid in cash and 125,000 broker warrants were also issued. Each broker warrant allow holder to purchase up to 125,000 fully paid and non-assessable common shares of the Company at a price of \$0.15 per share at any time prior to April 20, 2026.

At issuance, the principal amount of the Debentures is considered to be financial liability because, although there is no contractual obligation to settle in cash, it is convertible into a variable number of units based on the Principal Conversion Price if and when converted. The interest payable on the Debentures, including prepaid interest, is considered to be a financial liability as it is convertible into a variable number of Units based on the Interest Conversion Price, if and when converted. The estimated fair value of the Principal amount and interest payable was determined to be \$1,536,444 based on the present value of expected cash flows discounted at 19% and the \$27,156 the residual portion of Debenture proceeds was allocated to equity. At issuance, the estimated fair value of the Redemption Amount was determined to be nominal and therefore no amount has been recognized in the consolidated financial statements.

In connection with the Debenture financing arrangement, \$12,500 commission and \$64,750 legal fees was paid in cash, and 125,000 broker warrants were also issued. The issuance date fair value of these broker warrants was determined to be \$6,539 using the Black-Scholes model. The total cost have been attributed to debt and equity issue costs based on the relative values of the debt and equity portions.

The debt portion, net of attributed issue costs, is accreted using an effective interest rate of approximately 17.67% per annual. Accretion expense is included in accretion and interest expense in the consolidated statement of loss and comprehensive loss.

On June 2, 2023, the Company issued 100,000 units for the conversion of \$10,000 Principal amount of Debenture. The Company also issued 12,000 common share for prepaid interest of \$1,200. The equity component of the Debenture of \$174 with the accreted debt component were reclassified into share capital of the Company upon the conversion.

On October 20, 2023, the Company issued an aggregate of 1,380,979 common shares for the payment of \$93,216 prepaid interest and unpaid accrued interest on the Debenture.

During the period ended April 30, 2024, the Company recognized \$40,953 of interest expenses on the Debenture.

SIRONA BIOCHEM CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period Ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

	Convertible debentures- Liability component	Equity component	Total
	\$	\$	\$
April 20, 2023	-	-	-
Gross proceeds received in convertible debentures	1,536,444	27,156	1,563,600
Issue costs	(82,334)	(1,455)	(83,789)
Proceeds, net of transaction costs	1,454,109	25,701	1,479,811
Debt converted	(11,026)	(174)	(11,200)
Accretion and interest expense recognized during the period	139,979	-	139,979
Interest converted	(93,216)	-	(93,216)
October 31, 2023	1,489,846	25,527	1,515,373
Accretion and interest expense recognized during the period	40,953	-	40,953
April 30, 2024	1,530,799	25,527	1,556,326

15. PROMISSORY NOTE

During the year ended October 31, 2023, the Company entered into a promissory note agreement (the “Note”) with a company which is controlled by CEO of the Company, for the proceeds up to \$1,000,000. As at April 30, 2024, \$990,000 had been received by the Company. The Note is unsecured, bearing interest at 12% per annum. The Company may, at any time and from time to time, prepay all or any part of the amount owing to the lender hereunder without notice, penalty, or bonus.

Further, the Company issued 450,000 bonus shares at price of \$0.11 per common share for the Note. The fair value of bonus shares has been considered as debt issuance cost which was recorded as interest expenses during the year ended October 31, 2023.

During the period ended April 30, 2024, the Company recognized interest expense of \$38,056 related to the Note.

The following table summarizes the outstanding balance and changes in the Note during the year ended April 30, 2024.

	Amount
	\$
Principal	990,000
Interest accrued	41,935
Balance, October 31, 2023	1,031,935

SIRONA BIOCHEM CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period Ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

16. SHARE CAPITAL

Share capital

- a) Authorized: Unlimited common shares without par value.
- b) Issued: As of April 30, 2024, 256,454,505 (2023: 253,604,505) common shares were issued and outstanding.

On February 19, 2024, the Company issued 450,000 bonus shares at price of \$0.11 per common share for the promissory note (Note 15).

On April 4, 2024, the Company completed a private placement for total gross proceeds of \$132,500. The Private Placement consists of 1,325,000 units, (the “Units”) at a price of \$0.10 per Unit. Each Unit consists of one common share and one transferable share purchase warrant, each whole warrant exercisable into one additional common share of the Company for a period of 2 years from the date of issue at a price of \$0.15 per Share in year one and \$0.25 per Share in year two. All securities issued under the Private Placement are subject to statutory hold periods expiring on August 4, 2024. The Company assigned a relative fair value of the warrants at \$23,614 and recorded the amount in Contributed surplus. The Company issued 10,000 broker’s warrants fair valued at \$217 in connection with the private placements.

During the period ended April 30, 2024, 1,075,000 shares were issued for the exercise of options for proceeds of \$105,550. The \$36,428 value of options exercised originally recorded to contributed surplus at issuance was reclassified to share capital upon exercise.

On October 20, 2023, the Company issued an aggregate of 1,380,979 common shares for the payment of \$93,216 prepaid interest and unpaid accrued interest on the Debenture. See note 14.

On June 2, 2023, 112,000 shares were issued for the convertible debentures. See note 14.

During the year ended October 31, 2023, 380,000 shares were issued for the exercise of options for proceeds of \$52,500. The \$16,961 value of options exercised originally recorded to contributed surplus at issuance was reclassified to share capital upon exercise.

- c) Shareholder’s rights plan:

Effective March 12, 2020 (the “Effective Date”), and approved by the shareholders on May 22, 2020, the Company adopted a shareholder rights plan (the “Rights Plan”) to prevent, to the extent possible, a creeping take-over of the Company and to ensure that any offer to acquire shares of the Company is made to all shareholders and cannot be completed unless shareholders holding at least 50% of the outstanding shares (other than the offeror and related parties) are tendered in acceptance of the offer, to ensure, to the extent possible, the fair treatment of all shareholders in connection with any take-over bid for the securities of the Company and to ensure that the Board of Directors is provided with sufficient time to evaluate unsolicited take-over bids and to explore and develop alternatives to maximize shareholder value. On March 12, 2020, the Company entered into a shareholder rights plan agreement (the “SRPA”) with Computershare Investor Services Inc. (the “Rights Agent”). Pursuant to the SRPA:

SIRONA BIOCHEM CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period Ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

- The Company will issue one Right in respect of each common share outstanding on March 12, 2020 (the “Record Time”) and will issue one Right in respect of each common share issued after the Record Time and prior to the earlier of the Separation Time (see below) and the Expiration Time (see below); and
- Certificates representing shares which are issued after the Record Time, but prior to the earlier of the Separation Time and the Expiration Time will evidence one Right for each share represented thereby until the earlier of the Separation Time or the Expiration Time, with each Right entitling the holder to purchase a share of the Company upon the terms and subject to conditions in the SRPA.

Subject to specified adjustments, each Right entitles the holder, from and after the Separation Time and prior to the Expiration Time, to purchase one common share for the Exercise Price (as defined) as at the Business Day (as defined) immediately preceding the day of exercise of the Right. Notwithstanding any other provision of the SRPA, any rights held by the Company or its subsidiary are void. Until the Separation Time: (i) the Rights are not exercisable and cannot be exercised; (ii) each Right is evidenced by the certificate for the associated voting share registered in the name of the holder; and (iii) each Right is transferrable only together with, and will be transferred by a transfer of, the associated share. From and after the Separation Time and prior to the Expiration Time the rights are exercisable and the registration and transfer of Rights is separate from and independent of voting shares.

The SRPA will expire on the earlier of the Termination Time and the time at which the annual meeting of shareholders of the Company held in 2023 terminates (the “Expiration Time”).

Separation Time means the close of business on the 10th Trading Day (as defined) after the earlier of (all terms are as defined):

- The Share Acquisition Date;
- The date of commencement of or the first public announcement of the intent of any person to commence a Take-over bid (other than a Permitted Bid or a Competing Permitted Bid); and
- The date on which a Permitted Bid or Competing Permitted Bid cease to qualify as such.

Warrants

A summary of warrant activities for the years ended April 30, 2024 and October 31, 2023 is as follows:

	Number of Warrants	Weighted average exercise price	Weighted average remaining contractual life (year)
Balance at October 31, 2022	-	\$ -	-
Broker warrants granted	125,000	\$ 0.15	2.72
Warrants granted exercisable on or before April 21, 2026	100,000	\$ 0.15	2.47
Balance at October 31, 2023	225,000	\$ 0.15	2.47

SIRONA BIOCHEM CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period Ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

Warrants granted exercisable on or before				
April 4, 2026	1,335,000	\$	0.25	1.93
Balance at April 30, 2024	1,560,000	\$	0.24	1.94

Expiry Date	Exercise Price	Number of Warrants outstanding and exercisable as at April 30, 2024
April 20, 2026	\$ 0.15	125,000
April 21, 2026	\$ 0.15	100,000
April 4, 2026	\$ 0.25	1,335,000
April 30, 2024		1,560,000

Stock options

The Company's stock option plan is administered by the board of directors in accordance with Exchange requirements summarized below:

- i. maximum available for grant is up to 10% of the Company's issued shares outstanding at any one time;
- ii. grant price and exercise price may not be less than the discounted market price of the shares at the time of grant, as permitted by Exchange policy;
- iii. non-transferable, vesting schedule subject to Board discretion when granted and exercisable up to 10 years from grant date;
- iv. eligibility includes employees, directors, officers and consultants of the Company subject to a 5% limitation on options granted annually to any one individual director or officer and 2% to any one consultant; and
- v. exercisable up to 90 days following cessation of the optionee's position with the Company. If the cessation of office, directorship or consulting arrangement was due to death, the option may be exercised within a maximum period of one year after death, subject to expiry date of such option.

Expected life of stock options

When the Company grants 10-year options, management estimates that the period of time from the date of grant to the date of exercise is five years. Pursuant to IFRS 2 *Share-based Payment*, the effects of an expected early exercise can be accounted for by using an estimate of the option's expected life as an input into the option pricing model. Accordingly, for 10-year options, an expected life of five years is used as an input when estimating fair value.

At April 30, 2024, the stock options outstanding and exercisable were as follows:

SIRONA BIOCHEM CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period Ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

Expiry Date	Exercise Price	Number of Options Exercisable as at October 31, 2023	Granted During the Year	Exercised During the Year	Cancel or Expired During the Year	Number of Options as at April 30, 2024	Number of Options Exercisable as at April 30, 2024
June 30, 2023	\$0.17	250,000	-	-	-	250,000	250,000
November 1, 2023	\$0.13	70,000	-	-	(70,000)	-	-
June 7, 2024	\$0.52	300,000	-	-	-	300,000	300,000
June 30, 2024	\$0.15	250,000	-	-	-	250,000	250,000
January 1, 2025	\$0.17	4,150,000	-	-	-	4,150,000	4,150,000
June 26, 2025	\$0.16	3,300,000	-	-	-	3,300,000	3,300,000
August 24, 2025	\$0.45	875,000	-	-	-	875,000	875,000
August 24, 2025	\$0.45	750,000	-	-	-	750,000	750,000
August 24, 2025	\$0.17	250,000	-	-	-	250,000	250,000
August 24, 2025	\$0.20	500,000	-	-	-	500,000	500,000
November 1, 2025	\$0.10	-	3,355,000	(1,010,000)	-	2,345,000	2,345,000
February 1, 2026	\$0.38	200,000	-	-	-	200,000	200,000
September 21, 2026	\$0.20	300,000	-	-	-	300,000	300,000
December 8, 2026	\$0.07	-	1,000,000	(65,000)	-	935,000	935,000
January 1, 2027	\$0.17	500,000	-	-	-	500,000	500,000
November 20, 2027	\$0.15	1,150,000	-	-	-	1,150,000	1,150,000
February 26, 2029	\$0.12	500,000	-	-	-	500,000	500,000
January 21, 2030	\$0.45	4,555,000	-	-	(605,000)	3,950,000	3,950,000
January 1, 2032	\$0.17	3,500,000	-	-	-	3,500,000	3,500,000
July 19, 2032	\$0.20	200,000	-	-	-	200,000	200,000
		21,600,000	4,355,000	(1,075,000)	(675,000)	24,205,000	24,205,000
Weighted average exercised price			\$ 0.09	\$0.10		\$ 0.23	\$ 0.23

At October 31, 2023, the stock options outstanding and exercisable were as follows:

Expiry Date	Exercise Price	Number of Options Exercisable as at October 31, 2022	Granted During the Year	Exercised During the Year	Modification During the Year	Number of Options as at October 31, 2023	Number of Options Exercisable as at October 31, 2023
June 30, 2023	\$0.17	250,000	-	-	-	250,000	250,000
November 1, 2023*	\$0.13	-	250,000	(180,000)	-	70,000	70,000
June 7, 2024	\$0.52	300,000	-	-	-	300,000	300,000
June 30, 2024	\$0.15	-	250,000	-	-	250,000	250,000
January 1, 2025	\$0.17	4,150,000	-	-	-	4,150,000	4,150,000
June 26, 2025	\$0.16	3,300,000	-	-	-	3,300,000	3,300,000
August 24, 2025	\$0.45	-	-	-	875,000	875,000	875,000
August 24, 2025	\$0.45	-	-	-	750,000	750,000	750,000
August 24, 2025	\$0.17	-	-	-	250,000	250,000	250,000
August 24, 2025	\$0.20	-	-	-	500,000	500,000	500,000
January 1, 2026	\$0.15	-	200,000	(200,000)	-	-	-
February 1, 2026	\$0.38	200,000	-	-	-	200,000	200,000
September 21, 2026	\$0.20	300,000	-	-	-	300,000	300,000
January 1, 2027	\$0.17	500,000	-	-	-	500,000	500,000
November 20, 2027	\$0.15	1,150,000	-	-	-	1,150,000	1,150,000
February 26, 2029	\$0.12	500,000	-	-	-	500,000	500,000
January 21, 2030	\$0.45	5,430,000	-	-	(875,000)	4,555,000	4,555,000
April 1, 2031	\$0.45	750,000	-	-	(750,000)	-	-
January 1, 2032	\$0.17	3,750,000	-	-	(250,000)	3,500,000	3,500,000
July 19, 2032	\$0.20	700,000	-	-	(500,000)	200,000	200,000
		21,280,000	700,000	(380,000)	-	21,600,000	21,600,000
Weighted average exercised price			\$ 0.14	\$ 0.14		\$ 0.25	\$ 0.25

SIRONA BIOCHEM CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period Ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

*these options expired subsequent to October 31, 2023

During the year ended October 31, 2023, the Company granted the following stock options to officers and employees of, and consultants to, the Company:

- On November 1, 2022, options to purchase up to 250,000 common shares of the Company at a price of \$0.125 per share for a period of one year were granted to consultants of the Company. 180,000 of these options were exercised during period.
- On January 1, 2023, options to purchase up to 250,000 common shares of the Company at a price of \$0.15 per share for a period of 18 months were granted to consultants of the Company.
- On January 1, 2023, options to purchase up to 200,000 common shares of the Company at a price of \$0.15 per share for a period of three years were granted to consultants of the Company.

The weighted average contractual life remaining of all stock options as at April 30, 2024 is 3.07 years (2023: 4.5 years).

The fair value of the options granted was estimated using the Black-Scholes option pricing model with the following weighted average estimated assumptions:

	2024	2023
Risk-free interest rate	3.97% to 4.53%	3.92% to 4.07%
Dividend yield	0%	0%
Volatility	107.92% to 111.95%	92.15% to 94.24%
Expected life	2-3 years	1-1.5 years
Share price of grant date	\$0.08	\$0.11 to \$0.13

For the period ended April 30, 2024, share-based compensation in the amount of \$188,394 (2023 - \$30,502) was recognized in the Company's consolidated statements of loss and comprehensive loss.

17. RELATED PARTY TRANSACTIONS

Related party transactions impacting the consolidated financial statements primarily relate to transactions with key management personnel. Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

During the years ended April 30, 2024 and 2023, the Company incurred the following expenses to officers or directors of the Company or companies with common directors:

SIRONA BIOCHEM CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period Ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

	2024	2023
	\$	\$
Management fees (a)	30,106	90,318
Accounting fees (b)	24,640	73,920
Salaries (e)	-	62,832
Share-based payments (d)	-	-
Total	54,746	227,070

- (a) For the year ended April 30, 2024, \$30,106 (2023: \$45,159) in management fees were paid/incurred to a company controlled by Howard Verrico, for acting as CEO, secretary and director. See below.
- (b) For the year ended April 30, 2024, \$24,640 (2023: \$36,960) in accounting fees were paid/incurred to Christopher Hopton for acting as CFO. See below.
- (c) For the year ended April 30, 2024, \$nil (2023: \$31,416) in salary were paid to the former VP, Operations.

As at April 30, 2024, included in trade and other payables for expense reimbursements was \$53,417 (2023: \$16,806) payable to the Company's CEO, \$52,430 (2023: \$23,422) payable to the Company's CFO.

On June 1, 2013, and as subsequently amended, the Company entered into indefinite consulting agreements for management services with Howard Verrico and Christopher Hopton, whereby amended on July 2022, Howard currently receives \$15,053 (plus GST) per month an increase from \$13,440 (plus GST) per month and Christopher currently receives \$12,320 per month (plus GST) until the agreements are terminated by either party. Effective June 1, 2019, compensation was increased from \$12,000 and \$11,000 per month, respectively, on the recommendation of the Compensation Committee.

Pursuant to the agreements, Howard and Christopher are eligible to receive discretionary cash bonuses, change of control payments and buyout bonuses. In the event that Howard or Christopher resign or their agreements are terminated with 12 months after a change of control (as defined), they will receive two times the compensation received immediately preceding such termination. In addition to the change of control payments, if the change of control results in a buyout of the Company transaction (as defined), on closing of the buyout transaction Howard will receive a cash bonus equal to 1.4% (plus GST) of the transaction value and Christopher will 1% (plus GST).

18. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT

The Company's activities expose it to a variety of financial risks. The Company's overall business strategies, tolerance of risk and general risk management philosophy are determined by the directors in accordance with prevailing economic and operating conditions.

The Company has the following financial instruments as of April 30, 2024 and October 31, 2023:

SIRONA BIOCHEM CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period Ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

		April 30, 2024	October 31, 2023
	Categories	\$	\$
Financial assets			
Cash	Amortized cost	27,292	571,494
Trade and other receivables	Amortized cost	41,830	35,991
Financial liabilities			
Trade and other payables	Amortized cost	915,511	1,223,064
Short-term loan	Amortized cost	1,031,935	453,879
Long-term debt	Amortized cost	168,935	233,362
Lease obligation	Amortized cost	-	5,886
Convertible debenture	Amortized cost	1,530,799	1,489,846

Fair value of financial instruments

The Company classifies its fair value measurements in accordance with the three level fair value hierarchies as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of cash, trade and other receivables and trade and other payables, short-term loan approximate their carrying values due to the short-term nature of these instruments. The fair value of employee benefits is determined at each statement of financial position date. The fair value of convertible debentures, lease obligation and long-term debt are determined by discounting future payments of loan principals and interests under the loans at prevailing market interest rates at each reporting date. The difference between the fair value and carrying amount is minimal.

During the year, there were no transfers between Level 1, Level 2 and Level 3 classified assets and liabilities.

Financial risk management objectives and policies

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

- (i) Credit risk is the risk that one party to a financial instrument will fail to discharge its contractual obligations and cause the other party to incur a financial loss and arises principally from the Company's cash and trade and other receivables. This risk is managed by placing cash with major financial institutions which have a high credit quality as determined by the rating agencies. To mitigate credit risk with respect to trade receivables, the Company subjects all major customers to its credit evaluation process. See Note 6.

SIRONA BIOCHEM CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period Ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

- (ii) Since the Company's functional currency is the Canadian dollar, it has a foreign exchange risk regarding its Euro obligations since it has a subsidiary in France. A significant change in the currency exchange rates between the Euro relative to the Canadian dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company has not entered into any derivative financial instruments to manage exposures to currency fluctuations. A 1% fluctuation in the Canadian dollar against the Euro would have a before-tax effect of approximately an \$6,175 increase or decrease in accumulated other comprehensive income, based on amounts held at year end.

At April 30, 2024, the Company's monetary assets and liabilities denominated in the Euro and were approximately as follows:

Monetary assets	€	30,485
Monetary liabilities		450,712
Net monetary liabilities	€	645,203
Gain/loss on a 1% increase/decrease on the revaluation of monetary assets and liabilities denominated in the Euro	€	4,202
Foreign exchange rate		1.4695
	\$	6,175

- (iii) The Company's exposure to interest rate risk relates to its ability to earn short term interest on cash balances at variable rates. The Company is exposed to interest rate risk on its cash and cash equivalents. The Company has no floating interest rate loans. Management does not believe that the impact of interest rate fluctuation will be significant.
- (iv) Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient, readily available capital in order to meet its liquidity requirements. Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. Given the cash balance of \$27,292 at April 30, 2024 and under current market conditions, both liquidity and funding risk have been assessed as relatively low.

The following table summarizes the significant remaining contracted payments of the Company's financial liabilities and capital expenditures as at April 30, 2024:

	Total	Due by period				
		< 1 year	1 - 2 years	2 - 3 years	3 - 4 years	> 5 years
	\$	\$	\$	\$	\$	\$
Trade and other payables	915,511	915,511	-	-	-	-
Short-term loan	1,031,935	1,031,935	-	-	-	-
Long-term debt	168,935	168,935	-	-	-	-
Lease obligation	-	-	-	-	-	-
Convertible debenture	2,195,399	186,943	186,432	1,822,024	-	-
	4,311,781	2,303,325	186,432	1,822,024	-	-

SIRONA BIOCHEM CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Period Ended April 30, 2024 and 2023
(Expressed in Canadian dollars)

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue technology research. Therefore, the Company monitors the level of risk incurred in its technology research relative to its capital structure which is comprised of working capital and shareholders' equity (deficiency).

The Company manages its capital in a manner consistent with the risk characteristics of the assets it holds. All sources of financing are analysed by management and approved by the board of directors.

The Company is meeting these objectives primarily through its on-going cash management procedures, which include monthly comparison of actual results against budget and periodic forecasting of cash flow requirements.

19. GEOGRAPHIC SEGMENTS

The Company is located and operated in Canada and France.

The Company's net loss by geographic location for the years ended April 30, 2024 and 2023 is as follows:

Net loss		April 30, 2024		April 30, 2023	
Canada	\$	665,146	\$	723,458	
France		484,721		662,780	
Total	\$	1,149,867	\$	1,386,237	

The Company's total assets by geographic location as at April 30, 2024 and October 31, 2023 is as follows:

Total assets		April 30, 2024		October 31, 2023	
Canada	\$	71,346	\$	75,738	
France		648,627		956,335	
Total	\$	719,973	\$	1,032,073	

21. SUBSEQUENT EVENTS

Subsequent to period ended April 30, 2024, 370,000 options were exercised for proceeds of \$37,000.