

BIOHEP TECHNOLOGIES LTD.

Financial Statements

For the Years Ended January 31, 2021 and 2020

(Expressed in Canadian dollars)

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charlton & company
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of BioHEP Technologies Ltd.

Opinion

We have audited the financial statements of BioHEP Technologies Ltd. (the "Company"), which comprise the statements of financial position as at January 31, 2021 and 2020, and the statements of income (loss) and comprehensive income (loss), cash flows, and changes in shareholders' equity for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 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.

Other Information

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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



CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC

May 20, 2021

BioHEP Technologies Ltd.
Statements of Financial Position
(Expressed in Canadian dollars)

	January 31, 2021	January 31, 2020 <i>Restated (note 11)</i>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 527,814	\$ 955,769
Prepaid expense	5,000	-
GST receivable	5,418	3,354
Investment - marketable securities (note 5)	1,295,884	200,111
	1,834,116	1,159,234
NON-CURRENT ASSETS		
Biotechnology asset (note 7)	-	274,444
Investments (note 6)	686,374	421,802
TOTAL ASSETS	\$ 2,520,490	\$ 1,855,480
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable (note 9)	\$ 9,637	\$ 2,698
Accrued liabilities	22,450	16,544
TOTAL LIABILITIES	32,087	19,242
SHAREHOLDERS' EQUITY		
Share capital (note 8)	614,845	614,845
Accumulated other comprehensive loss	(474,561)	(703,416)
Retained earnings	2,348,119	1,924,809
TOTAL SHAREHOLDERS' EQUITY	2,488,403	1,836,238
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 2,520,490	\$ 1,855,480

Nature and continuance of operations (note 1)

Subsequent events (note 14)

These financial statements were approved for issuance by the Board of Directors on May 20, 2021 and signed on its behalf by:

"Chester Shynkaryk"

Director

"Donald Gordon"

Director

The accompanying notes are an integral part of these financial statements

BioHEP Technologies Ltd.
Statements of Income (Loss) and Comprehensive Income (Loss)
(Expressed in Canadian dollars)

For the years ended	January 31, 2021	January 31, 2020 <i>Restated (note 11)</i>
OPERATING EXPENSES		
Administrative	\$ 497	\$ 9,514
Amortization (note 7)	100,556	175,556
Audit and accounting	21,653	29,549
Bad debt	-	4,190
Consulting fees (note 9)	30,000	12,540
Investor communication	-	1,710
Professional fees (note 9)	19,970	3,574
Management fees (note 9)	10,102	30,920
Transfer agent and regulatory	6,071	11,488
Rent expense	-	2,441
Foreign exchange loss (gain)	3,497	(10,548)
	(192,346)	(270,934)
Gain on sale of investments (notes 5 and 6)	-	190,286
Fair value adjustment of investments (note 5)	751,523	(130,990)
Impairment of intangible assets (note 7)	(173,888)	-
Interest income	2,304	4,194
	579,939	63,490
INCOME (LOSS) BEFORE INCOME TAX	387,593	(207,444)
INCOME TAX EXPENSE		
Deferred income tax recovery (expense) (note 11)	35,717	(115,440)
	35,717	(115,440)
INCOME (LOSS) FOR THE YEAR	423,310	(322,884)
OTHER COMPREHENSIVE INCOME (LOSS):		
Unrealized gain (loss) on investment (note 6)	264,572	(3,948,533)
Deferred income tax (expense) recovery	(35,717)	563,171
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ 652,165	\$ (3,708,246)
Earnings (loss) per share - basic and diluted	\$ 0.04	\$ (0.03)
Weighted average number of common shares outstanding – basic and diluted	9,448,708	9,448,708

The accompanying notes are an integral part of these financial statements

BioHEP Technologies Ltd.
Statements of Changes in Shareholders' Equity
For the years ended January 31, 2021 and 2020
(Expressed in Canadian dollars)

	Number of outstanding common shares	Share capital	Accumulated other comprehensive loss <i>Restated (note 11)</i>	Retained earnings <i>Restated (note 11)</i>	Total shareholders' equity <i>Restated (note 11)</i>
Balance, January 31, 2019	9,448,708	\$ 614,845	\$ 2,681,946	\$ 2,247,693	\$ 5,544,484
Unrealized gain on investment	-	-	(3,948,533)	-	(3,948,533)
Deferred income tax	-	-	563,171	-	563,171
Loss for the year	-	-	-	(322,884)	(322,884)
Balance, January 31, 2020	9,448,708	\$ 614,845	\$ (703,416)	\$ 1,924,809	\$ 1,836,238
Unrealized gain on investment	-	-	264,572	-	264,572
Deferred income tax	-	-	(35,717)	-	(35,717)
Income for the year	-	-	-	423,310	423,310
Balance, January 31, 2021	9,448,708	\$ 614,845	\$ (474,561)	\$ 2,348,119	\$ 2,488,403

The accompanying notes are an integral part of these financial statements

BioHEP Technologies Ltd.
Statements of Cash Flows
(Expressed in Canadian dollars)

For the year ended	January 31, 2021	January 31, 2020 <i>Reclassified</i>
Cash and cash equivalents provided by (used in):		
OPERATING ACTIVITIES		
Income (loss) for the year	\$ 423,310	\$ (322,884)
Items not involving cash:		
Amortization	100,556	175,556
Change in fair value of investments	(751,523)	130,990
Gain on sale of investments	-	(190,286)
Impairment of intangible assets	173,888	-
Income tax expense	(35,717)	115,440
Net changes in non-cash working capital items:		
Accounts receivable	-	4,190
GST receivable	(2,064)	38
Prepaid expense	(5,000)	9,233
Income taxes payable	-	(143,294)
Accounts payable and accrued liabilities	12,845	1,046
Cash used in operating activities	(83,705)	(222,099)
INVESTING ACTIVITIES:		
Acquisition of Delcath Systems, Inc. shares	(344,250)	(331,100)
Proceeds on sale of investments	-	1,288,251
Cash (used in) provided by investing activities	(344,250)	957,151
Change in cash and cash equivalents	(427,955)	735,052
Cash and cash equivalents, beginning of the year	955,769	220,717
Cash and cash equivalents, end of the year	\$ 527,814	\$ 955,769

OTHER SUPPLEMENTAL INFORMATION

Cash and cash equivalents consist of:		
Cash	\$ 527,814	\$ 410,446
Short-term investments	-	545,323
Total	\$ 527,814	\$ 955,769

During the years ended January 31, 2021 and 2020 there were no non-cash financing or investing activities. During the years ended January 31, 2021 and 2020, the Company paid \$nil for interest and taxes.

The accompanying notes are an integral part of these financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

BioHEP Technologies Ltd. (“BioHEP” or the “Company”) was incorporated under the British Columbia *Business Corporations Act* as a private company on February 11, 2014. On April 11, 2014, the Company completed a Plan of Arrangement (“Arrangement”) with Global Blockchain Technologies Corp. (“Global”) (formerly Carrus Capital Corporation). Under the terms of the Arrangement, the Company received substantially all of Global’s interest in the SB-9000 technologies by way of a statutory arrangement to allow Global to divest itself of certain biotechnology assets with \$nil carrying value, its investment in Spring Bank Pharmaceuticals Inc. (“Spring Bank”) of \$1,000 and \$5,000 cash to the Company. As consideration for the SB-9000 technologies, the Company issued 2,845,378 common shares to Global (“Arrangement Shares”), which were then distributed to the shareholders of Global pro rata based on their relative shareholdings of Global.

As a result of completing the Arrangement and subsequent to issuing the Arrangement Shares, the Company became a reporting issuer in the jurisdictions of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec.

The Company’s head office is located at 440-890 West Pender Street, Vancouver, British Columbia, V6C 1J9.

COVID-19

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. As at the date of this report, the Company has not been significantly impacted by the spread of COVID19. However, the duration and impact of the COVID-19 outbreak is unknown at this time, as well as the effectiveness of government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

2. BASIS OF PRESENTATION

[a] Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

[b] Basis of measurement

These financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

[c] Functional and foreign currency

These financial statements are presented in Canadian dollars, which is the Company’s functional currency. Foreign currency transactions are translated into Canadian dollars using the exchange rates at the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

2. BASIS OF PRESENTATION (CONTINUED)

[d] Significant accounting estimates and judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company reviews its estimates and underlying assumptions on an ongoing basis.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- i. Research costs are recognized as an expense when incurred but development costs may be capitalized as intangible assets if certain conditions are met as described in IAS 38 Intangible Assets. Management has determined that development costs do not meet the conditions for capitalization under IAS 38 and all research and development costs have or will be expensed when incurred.
- ii. Management is required to assess the functional currency of the Company. In concluding that the Canadian dollars is the functional currency of the Company, management considered the currency that mainly influences the operating expenditures in the jurisdiction in which the Company operates.
- iii. Management is required to determine whether or not the going concern assumption is appropriate for the Company at the end of each reporting period. Considerations taken into account include available information about the future including the availability of financing and revenue projection, as well as liquidity of its assets, current working capital balance and future commitments of the Company.
- iv. Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets.

Estimates

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the current and next fiscal financial years:

- i. Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxation authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.
- ii. Management uses the Black-Scholes Option Pricing Model for valuation of investment in warrants, which requires the input of subjective assumptions including expected price volatility, risk-free interest rates and forfeiture rates. Changes in the input assumptions can materially affect the fair value estimate and the Company's results of operations.
- iii. The Company estimates whether its biotechnology asset has an indefinite or finite life. When the intangible assets have a finite life, management estimates the expected useful life and amortization methods which are applied.

2. BASIS OF PRESENTATION (CONTINUED)

[d] Significant accounting estimates and judgments (continued)

- iv. Determining whether any charge to impairment against the Company's biotechnology assets requires management to estimate the recoverable amount, which is defined as the higher of fair value less the cost of disposal or value in use. Many factors used in assessing recoverable amounts are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. During the year ended January 31, 2021, the remaining balance of the biotechnology assets was written-off (note 7).

3. SIGNIFICANT ACCOUNTING POLICIES

[a] Cash and cash equivalents

Cash and cash equivalents comprise cash at banks, cash on hand, treasury bills, and highlight liquid money market funds convertible into cash in less than one month. Interest income is earned on short term investments recorded as cash equivalents and is recognized when incurred.

[b] Financial instruments

Recognition and measurement

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). A financial liability is classified as measured at: amortized cost or FVTPL. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument.

Transaction costs are included in the initial carrying value of financial instruments measured at amortized cost and effectively amortized through profit or loss over the life of the instrument. For financial instruments measured at FVOCI, transaction costs are recognized in OCI as part of a change in fair value at the next remeasurement. For financial instruments measured at FVTPL, transaction costs are expensed as incurred.

Financial instruments are recognized initially on trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are offset and the net amount presented in the statement of financial position 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.

Classification of financial assets

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- 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.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on the specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. The Company has elected that its investment in F-Star Therapeutics (previously known as Spring Banks) meets the definition and has elected the investment to be FVOCI.

The Company's cash and cash equivalents and investments, other than the investment in F-Star Therapeutics have been classified as measured at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[b] Financial instruments (continued)

Classification of financial liabilities

A financial liability is generally measured at amortized cost, with exceptions that may allow for classification as FVTPL or designation at FVTPL. These exceptions include financial liabilities at fair value through profit or loss, such as derivatives that are liabilities, and financial liabilities that have been designated as measured at FVTPL. The Company, at initial recognition, may irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

The Company has classified account payables and accrued liabilities as measured at amortized cost.

Derecognition

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of operations and comprehensive income or loss.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

[c] Intangible assets

Intangible assets with finite useful lives are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the estimated useful life. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Amortization is provided on a straight-line basis over the estimated useful lives of the patents which range from 2- 4 years.

[d] Impairment of non-financial assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit ("CGU") is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[e] Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. Where the effect of the time value of money is material, provisions will be measured at the present value of the expenditures expected to be required to settle the obligation. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. The increase in any provision due to the passage of time is recognized as accretion expense. Each provision will be reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

[f] Share capital

Common shares and obligation to issue shares are classified as equity. Transaction costs directly attributable to the issue of common shares and common share warrants are recognized as a deduction from equity. Common shares issued for non-monetary consideration are measured based on their market value at the date the common shares are issued.

The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to the more easily measurable component, the common share, based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in share capital, and any related amount recorded in warrants reserve is transferred to share capital.

[g] Share-based payments

The Company grants stock options to directors, officers, employees and service providers. The fair value of the options granted to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized immediately when the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

The fair value of the options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Any consideration received on the exercise of stock options together with the related portion of reserves is credited to share capital.

[h] Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Basic and diluted loss per share is the same for the years presented.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[i] Income taxes

Income tax on profit or loss for the period presented comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized as equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to prior years.

Deferred tax is provided using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

[j] 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 or common significant influence. 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. Related party transactions that are in the normal course of business and have commercial substance are measured at the fair value of goods and services provided.

[k] Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset over a period of time in exchange for consideration. The Company assesses 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 it has the right to direct the use of the asset.

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. The right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the 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, and amounts expected to be payable at the end of the lease term. The Company does not recognize the right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less. The lease payments associated with these leases are charged directly to income on a straight-line basis over the lease term.

As at January 31, 2021 and 2020, the Company did not have any leases.

[l] Reclassification of comparatives

Certain prior year amounts have been reclassified for consistency with the current year presentation, such as the exploration advance and the exploration and evaluation assets have been aggregated. This reclassification had no effect on the reported results of operations.

4. RECENT ACCOUNTING PRONOUNCEMENTS

The following IFRS standards have been recently issued by the IASB but have not yet been adopted by the Company. Pronouncements that are irrelevant or not expected to have a significant impact have been excluded.

[a] Amendments to IAS 1: Classification of Liabilities as Current or Non-Current

The amendments only affect the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. In October 2020, the IASB amended the adoption date to - for annual reporting periods beginning on or after 1 January 2023 with early application permitted. The Company is currently evaluating the potential impact of these amendments on the Company's financial statements.

[b] Amendments to IAS 37: Onerous Contracts and the cost of Fulfilling a Contract

The amendment specifies that 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual periods beginning on or after January 1, 2022 with early application permitted. The Company is currently evaluating the potential impact of these amendments on the Company's financial statements.

5. INVESTMENT - MARKETABLE SECURITIES

The following table summarizes the Company's marketable securities:

January 31, 2021						
	Number of Common Shares	Number of Warrants	Cost	Fair Value of Shares	Fair Value of Warrants	Total Fair Value
Delcath Systems, Inc.	50,000	35,852	\$675,350	\$1,032,550	\$263,333	\$1,295,883
January 31, 2020						
	Number of Preferred Shares	Number of Warrants	Cost	Fair Value of Shares	Fair Value of Warrants	Total Fair Value
Delcath Systems, Inc.	250	10,852	\$331,100	\$102,398	\$97,713	\$200,111

In October 2019, the Company purchased 250 units of Delcath Systems, Inc. ("Delcath") at a price of USD \$1,000 per unit for USD \$250,000, (\$331,000) (the "Delcath Preferred Units"). Each Delcath Preferred Unit is comprised of one preferred share of Delcath and 43 (16,667 pre-consolidated) share purchase warrants. Each preferred share is exercisable into 1,000 common shares at the election of the Company. The share purchase warrants are exercisable for a term of 5 years, into one preferred share at an exercise price of USD\$10 (USD\$0.06 pre-consolidation). During the year ended January 31, 2021, the Company converted the 250 preferred shares into 25,000 common shares of Delcath.

During the year ended January 31, 2021, the Company purchased an additional 25,000 units in Delcath's May 2020 financing at a price of USD\$10 per unit for USD\$250,000 (\$344,250) (the "Delcath Series F Units"). Each Delcath Series F Unit is comprised of one common share and one Series F warrant. Each Series F warrant is exercisable into one common share for a term of 5 years at an exercise price of USD\$10 per unit.

5. INVESTMENT - MARKETABLE SECURITIES (CONTINUED)

As at January 31, 2021 and 2020, the fair value of the Delcath Systems, Inc. common shares and preferred shares were re-measured using the year end closing rates listed on the NASDAQ (note 10). The warrants are fair valued using the Black-Scholes valuation method using the following weighted average input assumptions:

	January 31, 2021		January 31, 2020	
Share price on grant date	USD	7.95	USD	13.00
Exercise price	USD	10.00	USD	42.00
Expected life (years)		3.89 – 4.26		4.90
Interest rate		0.18% - 0.43%		1.29%
Volatility		113%		200%
Dividend yield		N/A		N/A
Estimated forfeitures		N/A		N/A

As at January 31, 2021, the Company recognized a loss on the fair value adjustment of the common shares, preferred shares and warrants of \$751,523 (2019 – \$130,990) in its statement of income (loss).

Acasti Pharma Inc.

During the year ended January 31, 2020, the Company sold 500,000 shares of Acasti Pharma Inc. (“ACasti”) for total proceeds of \$1,112,981. The Company recognized a realized gain of \$412,608 in its statement of income (loss) on the sale.

6. INVESTMENT – LONG TERM

On April 11, 2014, Global assigned a biotechnology license agreement (the “Agreement”) to the Company as part of the Plan of Arrangement. The Agreement originally dated December 17, 2003, between Global and Spring Bank Pharmaceuticals Inc. (“Spring Bank”), a U.S. development stage company, granted Spring Bank the worldwide rights to a dinucleotide analogue compound (SB-9000) which was acquired by Global in September 2002 from Origenix Technologies Inc. As consideration related to the license granted, Spring Bank issued 1,000,000 Series A non-voting, convertible preferred shares of Spring Bank and 50,000 common shares of Spring Bank. In addition, the Company may receive in the future, payments related to the Agreement aggregating US\$3,500,000 upon the achievement of certain clinical development milestones and royalties on net sales and sublicensing revenues. Spring Bank is responsible for all development and related patent costs.

On February 1, 2016, the Company entered into an amended and restated license agreement with Spring Bank of Milford, MA (“New Agreement”). Under the New Agreement, the Company granted Spring Bank an exclusive worldwide license under certain patents and know-how to make, have made, use, sell, offer to sell and import certain product candidates comprising a novel phosphorothioate dinucleotide referred to as ORI-9020 and certain related compounds, for the diagnosis and/or treatment of all viral diseases and conditions. In exchange, the Company received the equivalent of an additional 250,000 common shares of Spring Bank and 125,000 share purchase warrants with an exercise price of USD\$16 per share, expired on August 1, 2018.

On November 19, 2020, Spring Bank and F-Star Therapeutics Inc. (“F-Star”) completed a reverse takeover transaction. And on the same day, F-Star announced a reverse stock split 4 common shares of Spring Bank’s to 1 common share of F-Star’s as a result, the Company’s holdings were consolidated from 255,000 common shares to 63,750.

During the year end January 31, 2021, the Company did not purchase or sell any F-Star shares. During the year ended January 31, 2020, the Company sold 20,000 (80,000 pre-consolidated) Spring Bank shares for net proceeds of \$175,270 with an adjusted cost base of \$398,374. The Company recognized a loss of \$222,322 in its statement of income (loss) which was offset with the gain on the sale of the Acasti investments (note 5).

6. INVESTMENT – LONG TERM (CONTINUED)

The following summarizes the Company's investment in Spring Bank as of:

	January 31, 2021			January 31, 2020		
	Number	Cost	Fair Value	Number	Cost	Fair Value
Trading equities						
F-Star Therapeutics Inc.						
common shares	63,750	\$1,269,818	\$686,374	63,750	\$1,269,818	\$421,802
		\$1,269,818	\$686,374		\$1,269,818	\$421,802

During the year ended January 31, 2021, the Company recognized an unrealized gain of \$264,572 (2019 – loss of \$3,948,533) through accumulated other comprehensive loss.

7. BIOTECHNOLOGY ASSET & LICENSE

On September 27, 2017 the Company closed an asset sale agreement (the "Assignment Agreement") which was entered into on April 21, 2017 between the Company and Exro Technologies Inc. (formerly BioDE Ventures Ltd.) ("BioDE"). Pursuant to this agreement, BioDE assigned to the Company a license agreement and certain related patents for \$450,000 which was paid by the Company by issuing 448,321 common shares to BioDE with a fair value of \$448,321 and by paying \$1,679 in cash. The transaction was accounted for as an asset acquisition as the acquired assets did not meet the definition of a business as defined by IFRS 3, *Business Combinations*.

During the year ended January 31, 2021, the Company recorded amortization of \$100,566 (2020 - \$175,556) and wrote-off the remaining net book value of \$173,888 (2020 - \$Nil) as the Company no longer believed the asset would generate future economic benefits to the Company. The carrying value of the assets as at January 31, 2021 was \$Nil (2020 - \$274,444).

8. SHARE CAPITAL

[a] Authorized common shares

There are an unlimited number of common shares without par value authorized for issue.

[b] Issued

There were no share capital transactions during the year ended January 31, 2021 or 2020.

[c] Stock option plan

The Company has adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the applicable stock exchange's requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. Pursuant to the Option Plan, the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. The Plan limits the number of incentive stock options which may be granted to any one individual to not more than 5% of the total issued shares of the Company in any 12-month period. The number of incentive stock options granted to any one consultant or a person employed to provide investor relations activities in any 12-month period must not exceed 2% of the total issued shares of the Company. Options granted under the Option Plan can have a maximum exercise term of five years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

During the years ended January 31, 2021 and 2020, no options were granted, expired or cancelled. As at January 31, 2021 and 2020, there are no options outstanding.

9. RELATED PARTY TRANSACTIONS

Key management personnel are persons responsible for planning, directing and controlling the activities of the Company and include both executive and non-executive directors, and entities controlled by such persons. The Company considers all Directors and Officers of the Company to be key management personnel.

During the year ended January 31, 2021, the Company incurred \$Nil for professional fees (2020 – \$15,903) provided by an entity controlled by the Company's Corporate Secretary.

During the year ended January 31, 2021, the Company incurred \$30,000 for consulting fees (2020 – \$12,500) provided by an entity controlled by a director.

During the year ended January 31, 2021, the Company incurred \$Nil for management fees (2020 – \$30,920) provided by an entity controlled by an insider of the Company.

Included in accounts payable and accrued liabilities as at January 31, 2021 is \$75 (2020 - \$6,000) due to related parties. The amounts are non-interest bearing, unsecured and have no specific terms of repayment.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value Measurement

The Company classifies its financial instruments using a fair value hierarchy as a framework for disclosing fair value of financial instruments based on inputs used to value the Company's investments. The hierarchy of inputs and description of inputs is described as follows:

- Level 1: Unadjusted quoted prices 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 that are not based on observable market data.

		Level 1	Level 2	Level 3	Total
January 31, 2021					
Cash and cash equivalents	\$	527,814	\$ -	\$ -	\$ 527,814
Investment - Marketable securities		1,032,550	263,333	-	1,295,883
Investment – Long term		686,374	-	-	686,374
	\$	2,246,738	\$ 263,333	\$ -	\$ 2,510,072
January 31, 2020					
Cash and cash equivalents	\$	955,769	\$ -	\$ -	\$ 955,769
Investment - Marketable securities		102,398	97,713	-	200,111
Investment – Long term		421,802	-	-	421,802
	\$	1,479,969	\$ 97,713	\$ -	\$ 1,577,682

At January 31, 2021 and 2020, the carrying values of accounts payable and accrued liabilities approximate their fair values due their short-term nature.

Financial risk management

A summary of the Company's risk exposures as they relate to financial instruments is reflected below:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As at January 31, 2021, the Company's exposure to credit risk is the carrying value of cash and cash equivalents. The Company reduces its credit risk by holding its cash and cash equivalents at a major Canadian financial institution and its money market funds are held within a notable low risk fund.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through equity or debt financing. As at January 31, 2021, the Company has a working capital of \$1,802,029.

The Company currently has adequate cash and cash equivalents to meet its current business requirements. At January 31, 2021, the Company had cash and cash equivalents of \$527,814 and accounts payable of \$9,637 and accrued liabilities of \$22,450. All accounts payable and accrued liabilities are due within 90 days, interest expense is due annually and taxes are due within two months of year end.

Market risk

Market risk consists of currency risk, interest rate risk and other price risk. These are discussed further below.

Currency risk

Currency risk is the risk that the fair value of the Company's financial assets and liabilities will fluctuate due to changes in foreign exchange rates. As at January 31, 2021, the Company held 63,750 shares in a NASDAQ listed company with a market value of US\$8.42 per share, 50,000 shares with value US\$16.15, 35,852 warrants with a weighted average fair value of US\$5.75 per warrant and cash US \$409,862. The Company therefore has exposure to fluctuations in the Canadian dollar - United States dollar exchange rate. The Company has determined that a 10% change in foreign exchange rates would affect the fair value of total assets by approximately \$198,226.

Interest rate risk

Interest rate risk consists of two components:

- i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature.

Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or currency risk. The Company is exposed to other price risk on its investments due to fluctuations in the current market prices and fluctuations in trading volumes of those securities.

11. INCOME TAXES

A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision as at January 31, 2021 and 2020 is provided as follows:

11. INCOME TAXES (CONTINUED)

	January 31, 2021	January 31, 2020
Income (loss) before taxes	\$ 387,593	\$ (207,444)
Canadian statutory tax rate	27%	27%
Expected income tax expense (recovery)	105,000	(56,000)
Change in statutory, foreign exchange rates and other	1,000	4,440
Permanent differences	(101,000)	(10,000)
Adjustment to prior years provision versus statutory tax returns	-	9,000
Taxable capital gain	-	(55,000)
Change in unrecognized deductible temporary differences	(5,000)	113,000
Income tax expense	\$ -	\$ 115,440
Adjustment to deferred income tax on restatement	(35,717)	-
Deferred income tax (recovery) expense	\$ (35,717)	\$ 115,440

The components of the Company's deferred income tax assets (liabilities) are a result of the origination and reversal of temporary differences and are comprised of the following:

	January 31, 2021	January 31, 2020
Non-capital losses	\$ 48,000	\$ 21,208
Marketable securities	(84,000)	18,000
Intangible assets	115,000	41,000
Investment held at FVOCI	79,000	114,000
	158,000	194,208
Unrecognized deferred tax assets	(158,000)	(194,208)
Recognized deferred tax assets	\$ -	\$ -

Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

Temporary Differences	January 31, 2021		January, 31 2020	
Non-capital losses carried forward	\$ 178,000	2040-2041	\$ 79,000	2040
Marketable securities	(621,000)	No expiry date	133,000	No expiry date
Intangible assets	428,000	No expiry date	152,000	No expiry date
Investment held at FVOCI	583,000	No expiry date	844,000	No expiry date

During the year ended January 31, 2021, the Company adjusted its prior year deferred income taxes by increasing its deferred tax assets by \$21,208 for non-capital losses and de-recognizing current income tax expense and income taxes payable of \$21,208 as a result of the Company incurring a loss for income tax purposes. In addition, it was determined that it was no longer probable the Company would have taxable income for which it would be able to utilize its deferred tax assets. As at January 31, 2021 and 2020, the deferred tax assets were derecognized from the statement of financial position and were adjusted through deferred income tax expense (recovery).

12. MANAGEMENT OF CAPITAL

The Company's objectives in managing capital are to ensure sufficient liquidity to finance its corporate administration and working capital. The Company manages its liquidity to minimize shareholder dilution whenever possible. The Company manages its capital through regular board meetings and ongoing review of financial information. The Company considers its capital as all components of shareholders' equity. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its operations and business plan development. To secure the additional capital necessary to pursue these plans, the Company intends sell investments or raise additional funds through equity or debt financing. The Company is not subject to any externally imposed capital requirements.

13. SEGMENTED REPORTING

The Company has one operating segment – investment in biotechnology. All assets of the Company are located in Canada.

14. SUBSEQUENT EVENTS

On February 26, 2021, the Company granted 504,000 stock options to directors of the Company. The stock options have an exercise price of \$0.16 and a term of 6 months.

On March 3, 2021, the Company and Next Hydrogen Corporation ("Next Hydrogen") entered into a definitive amalgamation agreement (the "**Amalgamation Agreement**"), pursuant to which Next Hydrogen and the Company's newly-formed subsidiary, 1291549 BC Ltd. shall amalgamate to form a subsidiary of BioHEP ("**Amalco**") and the shareholders of Next Hydrogen shall receive common shares of the Company.

On April 12, 2021, the Company received shareholder approval to the plan of arrangement (the "**Arrangement**") to transfer all its assets, except for \$500,000 cash, and its liabilities to the newly formed and wholly owned subsidiary of the Company 1291549 B.C. Ltd. ("**BC1291549**") pursuant to the Amalgamation Agreement. In exchange, BC1291549 shall issue shares to the shareholders of the Company on a pro rata basis.

Under the terms of the Arrangement, shareholders of the Company are entitled to receive one share of each of BC1291549 for every BioHEP share held as of the share distribution record date (as that term is defined in the Company's information circular dated as of March 11, 2021). In addition, each outstanding BioHEP option to acquire one common share of BioHEP shall be deemed to be exchanged for one replacement BioHEP option to acquire one BioHEP share and one BC1291549 option to acquire one BC1291549 share.

On April 14, 2021, the Company obtained a final order from the Supreme Court of British Columbia to the implementation of the Arrangement. The Company shall focus on completing the amalgamation with Next Hydrogen and shall carry on business currently carried on by Next Hydrogen, whose principal business is in the development of water electrolysis technology targeted at significantly reducing the cost of hydrogen generation from electrocute sources, including renewal energy at scale.

On April 28, 2021, Amalco completed a private placement of 2,854,500 Subscription Receipts at a price of \$10.00 per Subscription Receipt, for aggregate gross proceeds of \$28,545,000. As part of the Amalgamation, the Amalco common shares underlying the Subscription Receipts will be exchanged on a one-for-one basis for Resulting Issuer Common Shares.

On April 28, 2021, Amalco completed the concurrent private placement of 2,700,000 Subscription Receipts at a price of \$10.00 per Subscription Receipt, for aggregate gross proceeds of \$27,000,000. As part of the Amalgamation, the BioHep Subco Common Shares underlying the Subscription Receipts will be exchanged on a one-for-one basis for Resulting Issuer Common Shares.