

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

- ☒ Annual Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934
For the Fiscal Year Ended March 31, 2023
Or

- ☐ Transition Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934
For the transition period from ____ to ____

Commission File Number: 000-54717

Bionik Laboratories Corp.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

80 Coolidge Hill Road, Watertown, MA 02472

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(617) 926-4800**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of Exchange on which registered
N/A	N/A	N/A

Securities registered pursuant to Section 12(g) of the Act: Common Stock, \$0.001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant based on the closing sales price, or the average bid and asked price on such stock, at September 30, 2022 was \$1,374,540

The number of shares of the registrant's common stock outstanding as of June 16, 2023 was 12,480,431 shares of common stock, par value \$0.001 per share.

BIONIK LABORATORIES CORP.

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BASIS OF PRESENTATION

Unless otherwise noted, references in this Annual Report on Form 10-K to “Bionik,” the “Company,” “we,” “our,” or “us” means Bionik Laboratories Corp., and, unless the context otherwise requires, together with its subsidiaries, Bionik Laboratories, Inc., a Canadian corporation, Bionik, Inc., a Massachusetts corporation (formerly Interactive Motion Technologies, Inc., “IMT”), Tower Aquatic, LLC, a Delaware LLC, and Bionik Management Company LLC, a Delaware LLC. References to IMT refer to such company prior to its acquisition by the Company on April 21, 2016.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The information contained in this Annual Report on Form 10-K, including in documents that may be incorporated by reference into this Report, includes some statements that are not purely historical and that are “forward-looking statements.” Such forward-looking statements include, but are not limited to, statements regarding the Company and its management’s expectations, hopes, beliefs, intentions, or strategies regarding the future, including its financial condition and results of operations. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words “anticipates,” “believes,” “continue,” “could,” “estimates,” “expects,” “intends,” “may,” “might,” “plans,” “possible,” “potential,” “predicts,” “projects,” “seeks,” “should,” “will,” “would” and similar expressions, or the negatives of such terms, may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking.

The forward-looking statements contained in this Annual Report on Form 10-K are based on current expectations and beliefs concerning future developments. There can be no assurance that future developments actually affecting the Company will be those anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond the parties’ control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward- looking statements, some of which are described in the Section of this Form 10-K entitled “Risk Factors”.

Should one or more of these risks or uncertainties materialize, or should any of the Company’s assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

CAUTIONARY NOTE REGARDING INDUSTRY DATA

Unless otherwise indicated, information contained in this Annual Report on Form 10-K concerning our company, our business, the services we provide and intend to provide, our industry and our general expectations concerning our industry are based on management estimates. Such estimates are derived from publicly available information released by third party sources, as well as data from our internal research, and reflect assumptions made by us based on such data and our knowledge of the industry, which we believe to be reasonable.

SUMMARY OF RISK FACTORS

We have prepared the following summary of the principal risks to our business and the risks associated with ownership of our common stock. This summary does not address all of the risks that we face. We encourage you to carefully review the full risk factors contained in this Annual Report on Form 10-K in their entirety for additional information regarding the material factors that make an investment in our securities speculative or risky. These risks and uncertainties include, but are not limited to, the following:

- Our future prospects are not certain and may not be successful.
- We cannot predict when we will achieve profitability.
- There is substantial doubt on our ability to continue as a going concern.
- We are subject to significant accounts payable and other current liabilities.
- We will require additional capital to support our present business plan and our anticipated business growth, and such capital may not be available on acceptable terms, or at all, which would adversely affect our ability to operate; and such capital may substantially dilute the interests of existing stockholders.
- We may never complete the development of any of our proposed products or product improvements into marketable products.
- Customers will be unlikely to buy any of our proposed, developmental, or contemplated products unless we can demonstrate that they can be produced for sale to consumers at attractive prices.
- Our products may not be accepted in the market.
- The industries in which we operate are highly competitive and subject to rapid technological change. If our competitors are better able to develop and market products that are safer, more effective, less costly, easier to use, or are otherwise more attractive, we may be unable to compete effectively with other companies.
- We may not be successful in operating and rebranding Tower Aquatic or other physical therapy clinics we acquire in conjunction with our national strategic rollout of rehabilitation clinics.
- We are subject to extensive governmental regulations relating to the manufacturing, labeling, and marketing of our products.
- We may be subject to penalties and may be precluded from marketing our products if we fail to comply with extensive governmental regulations.
- If we are not able to both obtain and maintain adequate levels of third-party reimbursement for our products, it would have a material adverse effect on our business.
- Changes in reimbursement practices of third-party payers could affect the demand for our products and the prices at which they are sold.
- Recent executive and legislative actions to amend or impede the implementation of the Affordable Care Act and ongoing efforts to repeal, replace or further modify the Affordable Care Act may adversely affect our business, financial condition, and results of operations.
- Our industry is experiencing greater scrutiny and regulation by governmental authorities, which may lead to greater governmental regulation in the future.
- Unsuccessful clinical trials or procedures relating to products under development could have a material adverse effect on our prospects.
- Changes in Medicare rules and guidelines and reimbursement or failure of our clinic to maintain their Medicare certification and/or enrollment status.

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- Changes in reimbursement rates or payment methods from third party payors including government agencies, and changes in the deductibles and co-pays owed by patients.
- Compliance with federal and state laws and regulations relating to the privacy of individually identifiable patient information, and associated fines and penalties for failure to comply.
- Governmental and other third party payor inspections, reviews, investigations and audits, which may result in sanctions or reputational harm and increased costs;
- Intellectual property litigation and infringement claims could cause us to incur significant expenses or prevent us from selling certain of our products.
- If we are unable to protect our patents or other proprietary rights, or if we infringe on the patents or other proprietary rights of others, our competitiveness and business prospects may be materially damaged.
- The concentration of our capital stock ownership with insiders will likely limit your ability to influence corporate matters.
- We cannot assure you that the Company's Common Stock will be listed on any national securities exchange.
- We will not have a liquid market for the Company's Common Stock or attract the attention of research analysts at major brokerage firms as a result of our planned deregistration from the Exchange Act.
- An active and visible public trading market for the Company's Common Stock has not developed and the market for our common stock is limited.
- The market price for our Common Stock may be volatile.
- As our Common Stock is subject to the SEC's penny stock rules, broker-dealers may experience difficulty in completing customer transactions and trading activity in our securities may be adversely affected.
- After the planned termination of the registration of our common stock under Section 12(g) of the Exchange Act and suspension of our reporting obligations under Section 15(d) of the Exchange Act, your broker may no longer hold your shares in street name, which would make it more difficult for you to transfer your shares.
- Our Amended and Restated Certificate of Incorporation, as amended, designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.
- The results of our research and development efforts are uncertain and there can be no assurance of the commercial success of our products.
- The loss of our key executives could have a significant impact on us.
- Our acquisition of companies or technologies could prove difficult to integrate and may disrupt our business and harm our operating results and prospects.
- Product defects could adversely affect the results of our operations.
- We could be exposed to significant liability claims if we are unable to obtain insurance at acceptable costs and adequate levels or otherwise protect ourselves against potential product liability claims.
- Our operations in international markets involve inherent risks that we may not be able to control.
- Any weakness in internal control over financial reporting or disclosure controls and procedures could result in a loss of investor confidence in our financial reports and lead to a stock price decline.
- We do not expect to pay cash dividends on our common stock.

ITEM 1. BUSINESS

Overview

Bionik Laboratories Corp. is a robotics company providing neurological functional recovery solutions to improve the quality of life of millions of people with functional or mobility impairments by combining artificial intelligence, innovative technology and data solutions to help individuals regain mobility, enhance autonomy, and regain self-esteem.

The Company uses artificial intelligence and machine learning technologies to make rehabilitation methods and processes smarter and more intuitive to deliver greater recovery for patients with neurological or mobility impairments. These technologies allow large amounts of data to be collected and processed in real-time, enabling appropriately challenging and individualized therapy during every treatment session. This is the foundation of the InMotion therapy. The Company's rehabilitation therapy robots are built on an artificial intelligence platform, measuring the position, the speed, and the acceleration of the patients' arm 200 times per second. The artificial intelligence platform is designed to adapt in real time to the patient's needs and progress while providing quantifiable feedback of a patient's progress and performance, in a way that the Company believes a trained clinician cannot.

Based on this foundational work, the Company has two InMotion products currently on the market, which are focused on upper and lower extremity rehabilitation for stroke and other mobility-impaired individuals.

The InMotion therapy uses the Company's robots to assist patients to rewire a segment of their brains after injury, also known as neuroplasticity. They are designed to provide intelligent, adaptive therapy in a manner that has been clinically shown to improve neurorecovery. Our two offered products, the InMotion ARM, and InMotion ARM/HAND, are robotic therapies for the upper limbs. InMotion robotic therapies have been characterized as Class II medical devices by the U.S. Food and Drug Administration, or FDA, and are listed with the FDA to market and sell in the United States. Approximately 450 of our clinical robotic products for stroke rehabilitation have been sold in over 20 countries, including the United States. We have a growing body of clinical data for our products. More than 1,500 patients participated in trials using our InMotion robots, the results of which have been published in peer-reviewed medical journals (including the New England Journal of Medicine and Stroke).

We also offer a leading custom software solution called InMotion Connect in 2020. InMotion Connect is designed to target the critical need to link patient centric rehabilitation results to patient management portals. InMotion Connect provides the ability for hospital management to access remotely management dashboards presenting the anonymized utilization data of each of their InMotion robotic devices and their robotic devices' productivity. Customized reporting capabilities in the platform focus on facility and organization measurement dashboards to support effective decision making for clinicians and for hospital management. Through further customization with each hospital system, a patient's progress during the therapy sessions and patient's evaluation will be made available and ultimately feed electronic medical records (EMR) at any hospital or rehabilitation facility. We believe that this software platform will ensure the HL7 compliant InMotion Connect will seamlessly feed data through various existing hospital protocols, providing practitioners with protected patient data and treatment results.

We currently sell our InMotion products directly or through distributors, or can introduce customers to a third-party finance company to lease at a monthly fee over the term or other fee structure for our products to hospitals, clinics, distribution companies and/or buying groups that supply those rehabilitation facilities.

On September 7, 2022, we acquired Tower Aquatic, which is the first step in our planned national strategic rollout of rehabilitation clinics. The Company intends to rebrand the newly acquired physical therapy clinic as a specialized neuro-recovery center that will showcase and provide continued accessibility to Bionik's technology and solutions by providing treatment to patients with stroke, brain and spinal cord injuries. We plan to acquire a network of neuro recovery centers as funds allow, which will enable us to provide more patients with access to our InMotion systems.

Recent Developments

On June 9, 2023, the principal and accrued interest under the Company's outstanding convertible promissory notes (the "Outstanding Notes"), converted into an aggregate of 4,083,544 shares of the Company's common stock, in accordance with the terms of the Outstanding Notes. Of such shares, 3,102,878 were issued to an affiliate of Remi Gaston-Dreyfus, a director of the Company, 186,111 were issued to an affiliate of the Company's Chairman, Andre-Jacques Auberton-Herve, and 794,554 were issued to two existing stockholders.

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On June 13, 2023, the Company launched a new private offering of its convertible promissory notes of up to \$2,000,000, with an initial subscription of \$220,000 from an affiliate of the Company's Chairman, Andre-Jacques Auberton-Herve.

On June 14, 2023, Audrey Frederique Thevenon, and on June 16, 2023, Joseph Martin, each a director of the Company, agreed to convert \$108,333 of accrued director fees due and owing to each of them, into a 10-year promissory note (each, "Director Note").

On June 16, 2023, the Company's Board of Directors and management announced the commencement of certain cost-cutting measures to maximize available resources while it seeks to raise capital through the above-referenced \$2,000,000 private offering and increase revenues. In addition to entering into the Director Notes and repaying certain accrued directors fees through the issuance of shares in lieu thereof, this may ultimately include some or all of the following:

- Concentrate its available resources on selling its InMotion devices and supporting technology to large, national accounts and through overseas distributors, while suspending sales initiatives to multiple single or smaller purchasers. The cost of sales to single and smaller purchasers is disproportionately larger than to large accounts or through distributor relationships.
- Concentrate on the growth of its, and continue acquisitions of, neuro recovery centers, as funds allow, which the Company believes can accelerate revenue growth faster than by sales of InMotion devices alone.
- Consider an amendment to the Company's current directors' compensation plan, to prevent the further accruing of director fees.
- Consider decreasing the size of the Board of Directors from its current size of seven, with voluntary resignations of one or more directors.
- Pausing the Company's investor relations and public relations strategies.

In addition, the Company:

- is in the process of significantly reducing its Watertown, Massachusetts facility space;
- has reduced employee headcount to focus on core services and support, with corresponding reduced costs;
- has approved a plan to file a Form 15 with the Securities and Exchange Commission to terminate the registration of the Company's common stock under Section 12(g) of the Securities Exchange Act of 1934 (the "Exchange Act") and to suspend its reporting obligations under Section 15(d) of the Exchange Act; and
- will continue to consider other ways to maximize shareholder value, including but not limited to sale of the Company or its assets, or restructuring or reorganization, among other alternatives.

The Company expects that the savings generated from such cost-reduction activities as are ultimately adopted, along with a projected capital raise through the above-referenced \$2,000,000 private offering, would enable the Company to continue operations through, while the Company continues to seek new sources of financings to stabilize its finances and operations.

Corporate Information

We were incorporated on January 8, 2010 in the State of Colorado under the name Strategic Dental Management Corp. On July 16, 2013, we changed our name from Strategic Dental Management Corp. to Drywave Technologies, Inc. and changed our state of incorporation from Colorado to Delaware. Effective February 13, 2015, we changed our name to Bionik Laboratories Corp.

Our global headquarters are located at 80 Coolidge Hill Road, Watertown, MA, USA 02472, telephone number 617-926-4800. Our website is www.bioniklabs.com. Information on our website does not constitute a part of this Annual Report on Form 10-K.

Products in Market

InMotion Robots

Our suite of robotic rehabilitation products are the result of medical engineering research and original development at the Newman Laboratory for Biomechanics and Human Rehabilitation at the Massachusetts Institute of Technology (MIT).

We believe that our robotic products have exceptional capacity for measurement and immediate interactive response, which sets them apart from other therapy systems. Several of these factors include:

- The patient can be set up to rehabilitate on the InMotion robots within 2 minutes;
- InMotion robots sense the patient's movement and responds to a patient's continually changing ability; and
- InMotion robots use artificial intelligence that help guide the patient's exercise treatment.

Artificial intelligence within the robot assists the patient to initiate movement towards the target. If coordination is a problem, the artificial intelligence within the robot "guides" the movement, allowing the patient to move towards the target and confirming that the patient is practicing the movement the correct way. As the patient gains movement control, the artificial intelligence within the robot provides reduced assistance that continually challenges the patient.

InMotion robots have been tested by leading medical centers in controlled clinical trials, including large randomized controlled clinical studies. Through research, we have determined that the best way to optimize robot therapy is by allowing the robots to focus on reducing impairments and allowing the therapist to assist on translating the gains into function.

We believe that our modular systems approach to neuro-rehabilitation is designed to optimize the use of robotics in a manner that is consistent with the latest clinical research and neuroscience, taking into account the latest understanding on motor learning interference and motor memory consolidation.

Approximately 450 InMotion robots have been sold for research and rehabilitation in over 20 countries, including the United States. Extensive research has shown the InMotion robots to be effective at patient rehabilitation, particularly those recovering from strokes. Based on clinical trials using the InMotion ARM, the American Heart Association (AHA) Stroke council and the U.S. Department of Veterans Affairs recommended, in 2010, the use of robot-assisted therapy to improve upper extremity motor coordination in individuals with some voluntary finger extension in outpatient and chronic care settings. In the trial conducted by the Department of Veterans Affairs, results demonstrated efficacy and a reduction in healthcare expenses when using the InMotion ARM when compared to non-robotic therapy.

InMotion ARM

The InMotion ARM is an evidence-based intelligent interactive rehabilitation technology that senses patient movements and limitations, providing assistance as needed in real time. It allows clinicians to effectively deliver optimum intensive sensor motor therapy to the shoulder and elbow to achieve the development of new neural pathways and helps patients regain motor function following a neurological condition or injury. In 2018, we launched a new version of the InMotion ARM, which has a 40% smaller footprint than the previous generation and has wireless report printing, among other improvements. The product is characterized as a Class II medical device by the U.S. Food and Drug Administration (FDA) and is listed with the FDA as 510(k) exempt, allowing the product to be marketed in the United States. The CE mark for the InMotion ARM was renewed under the Medical Devices Directive 93/42/EEC Annex-II Section 3 through May 2024.

InMotion ARM/HAND

The InMotion ARM/HAND provides support for therapy involving reaching with grasp and release movements, and individual hand movements. It allows clinicians to efficiently deliver optimal intensive sensory motor therapy to the hand to develop new neural pathways and helps patients regain motor function following a neurological condition or injury. The product is characterized as a Class II medical device by the U.S. Food and Drug Administration (FDA) and is listed with the FDA as 510(k) exempt, allowing the product to be marketed in the United States. The CE mark for the InMotion ARM/HAND was renewed under the Medical Devices Directive 93/42/EEC Annex-II Section 3 through May 2024.

In January 2019, we announced the commercial launch of our newest generation InMotion ARM/HAND robotic system for clinical rehabilitation of stroke survivors and those with mobility impairments due to neurological conditions. The improved new generation InMotion ARM/HAND was developed according to the same principals of motor learning and neuro plasticity that were incorporated into the original InMotion ARM robotic system and utilizes artificial intelligence and data analysis to provide individualized therapy and reports that empower and inform patients. It includes the following features:

- Enhanced hand-rehabilitation technology: The updated hand robot provides therapy focused on hand opening and grasping for patients ready to retrain reach and grasp functional tasks.
- InMotion EVAL: The InMotion ARM/HAND offers the ability to assess hand movements in a precise and objective manner, allowing the clinician to better measure and quantify a patient's progress and response to therapy.
- Improved, comprehensive reporting: Optimized report formats provide improved documentation of patient outcomes, improved ease of use and enhanced interpretation of evaluation results, allowing clearer indications of progress over their complete rehabilitation journey, all on one screen.

InMotion CONNECT

In June 2020, we launched our InMotion Connect platform, which consists of a hardware device connected to the InMotion Robot as well as a subscription to InMotion Connect Pulse. This platform provides anonymized data allowing us to focus activity to increase adoption and utilization of InMotion robotic technologies across healthcare systems. Since the launch of InMotion Connect, the solution has been sold and deployed in approximately 30 hospitals in the U.S.

InMotion Connect is a cloud-based data analytics solution that securely streams and stores anonymized data from all connected InMotion robotics devices to our cloud server hosted by Amazon AWS, providing contextual and relevant data to reach hospital clinicians and management teams when it matters the most. It combines real-time data of each InMotion robotic device with the deep clinical knowledge and expertise of our clinical specialists to collaboratively partner with each clinic to promote utilization of the robotic devices and support clinician engagement, with the goal of enhancing patient care. Reporting capabilities in the platform focus on deep data analytics with customizable and adaptive dashboards to support effective decision making for clinicians and for hospital management.

InMotion Connect has been designed to target the critical need to link patient centric rehabilitation results to patient management portals. InMotion Connect provides the ability for hospital management to access remotely to management dashboards presenting the utilization data of each of their InMotion robotic devices and their robotic devices productivity. Customized reporting capabilities in the platform focus on facility and organization measurement dashboards to support effective decision making for clinicians and for hospital management. Upon further advancement and development as funds permit, and through further customization with each hospital systems, a patient's progress during the therapy sessions and patient's evaluation will be made available and ultimately feed electronic medical records (EMR) at any hospital or rehabilitation facility. With this further development, the HL7 compliant InMotion Connect is designed to seamlessly feed data through various existing hospital protocols, providing practitioners with protected patient data and treatment results.

During 2021, we implemented a machine learning prototype predictive model for the classification of the level of responsiveness of the InMotion therapy outcomes. This solution was developed with Bitstrapped, a Toronto-based data engineering firm specializing in machine learning infrastructure through their partnership with Google Cloud Platform. This prototype enables us to continually train the model on anonymized data collected in real-time with InMotion Connect in rehabilitation facilities and track improvements in performance. During the year ended March 31, 2023, we continued to move this strategy forward by working with our team of data scientists to analyze the data we currently have and start making correlations with the intent to enhance the patient experience. This approach will continue to advance and develop as funding permits.

Other Product Candidates

In addition to our existing suite of products, we have other product candidates under development, all of which were paused as a result of the COVID-19 pandemic and cash constraints.

The InMotion Home is an upper extremity product that would allow patients to extend their therapy for as long as needed while rehabilitating at home and is being developed on the same design platform as the InMotion clinical products described above. We may continue development of “InMotion Home” when we have sufficient funds and resources or consider other home use technologies.

We have exclusively licensed the rights to manufacture and sell products and methodologies covered by a patent for a lower limb robotic rehabilitation apparatus and method for rehabilitating gait, owned in part by Dr. Hermano Igo Krebs, one of our former directors and executive officers; however, this product has not yet been developed.

We may from time to time expand our product offerings and enhance the strength of our Company through internal development, as well as through strategic and accretive partnerships or acquisitions.

Neuro-Recovery Centers

On September 7, 2022, we acquired Tower Aquatic, which is the first step in our planned national strategic rollout of rehabilitation clinics. The Company intends to rebrand the newly acquired physical therapy clinic as a specialized neuro-recovery center that will showcase and provide continued accessibility to Bionik’s technology and solutions by providing treatment to patients with stroke, brain and spinal cord injuries. We plan to acquire a network of neuro recovery centers as funds allow, which will enable us to provide more patients with access to our InMotion systems.

Manufacturing

We have entered into an agreement with Cogmedix Inc., a wholly owned subsidiary of Coghlin Companies, a medical device development and manufacturing company located in West Boylston, MA, to produce InMotion robots. The initial agreement is for turnkey, compliant manufacturing with the capability of scaling faster production to meet increased volume as the Company grows. In addition, our Massachusetts based quality assurance system is compliant with ISO-3485:2016 (valid until April 2024), MDD 93/42/EEC Annex-II (valid until May 2024), and FDA regulations governing products.

Competition and Competitive Advantage

InMotion

The medical technology equipment industry is characterized by strong competition and rapid technological change. There are several companies developing technologies that are competitive to our existing and proposed products, many of them, when compared to our Company, have significantly longer operational history and greater financial and other resources.

The primary competitor for the InMotion product line of upper-body rehabilitation robots is Hocoma, a Swiss-based company. Other competitors include Motorika and Tyromotion as well as other known and unknown smaller potential competitors that may compete with us directly or indirectly. We believe that the InMotion product line’s primary advantage over Hocoma is the evidence based, research proven data that supports our robotic device products. Evidence based, research proven data is used to support reimbursement from health systems, insurance companies and governments.

Robotic technology and its use in an accepted treatment in clinical settings is still determined to be a rapidly growing industry and is regulated by medical device regulatory agencies (such as the US Food and Drug Administration). We believe that we will face challenges of increased regulatory scrutiny, possible changes in regulatory requirements, meeting quality control standards of various government regulators, increased competition in the future based on other new technologies, additional features and customizability, reduced pricing, clinical outcomes and other factors. Our strength in this market will depend on our ability to achieve market acceptance, develop new technologies, develop new products, implement production plans, develop marketing strategies, secure regulatory approvals, secure necessary data for reimbursement, protect our intellectual property and have sufficient funding to meet all these challenges.

The market for the Company’s other prospective products also has competition and is subject to rapid technological change and regulatory requirements. There can be no assurance that the Company will be in a strong position to respond quickly to potential acquisitions and other market opportunities, new or emerging technologies and changes in customer requirements. Failure to maintain and enhance our competitive position could materially affect our business and prospects.

Neuro-Recovery Centers

The physical therapy business is highly competitive. It is highly fragmented with no company having a significant market share nationally, and market participants include solo owners as well as national outpatient physical therapy services providers.

Competitive factors affecting this business segment include quality of care, cost, treatment outcomes, convenience of location, and relationships with, and ability to meet the needs of, referral and payor sources. Our one clinic competes, and we expect all of our future clinics to compete, directly or indirectly, with many types of healthcare providers including the physical therapy departments of hospitals, private therapy clinics, physician-owned therapy clinics, and chiropractors. We may face more intense competition if consolidation of the therapy industry continues.

We believe that our strategy of providing accessibility to our technology and solutions to patients with stroke, brain and spinal cord injuries provides us with a competitive advantage over more generalized service providers or those without our specialized technologies.

Market Strategy

InMotion

The Company's current products are designed to be rehabilitation products and mobility solutions for patients in hospitals and clinics. We currently have two robotic products sold that are listed with the FDA, which are the products sold through our own sales team in the United States, as well as through a third party distributor model around the world. Our business plan in part relies on broad adoption of rehabilitation products to provide neuro rehabilitation to individuals who have suffered a neurological injury or disorder.

The sales of our clinical and proposed products could depend, in part, on the extent to which healthcare providers and facilities or individual users are reimbursed by government authorities, private insurers and other third-party payers for the costs of our products or the services performed with our products.

The coverage policies and reimbursement levels of third-party payers, which can vary among public and private sources and by country, may affect which products or services are purchased by customers and the prices they are willing to pay for those products or services in a particular jurisdiction. Reimbursement rates can also affect the acceptance rate of new technologies. Legislative or administrative reforms to reimbursement systems in the United States or abroad, or changes in reimbursement rates by private payers, could significantly reduce reimbursement for procedures using the Company's products or result in denial of reimbursement for those products, which would adversely affect customer demand or the price customers may be willing to pay for such products or services. The effect of the change at the end of 2019 under certain US government plans to reimburse SNF's (Skilled Nursing Facilities) followed by IRF's (Inpatient Rehabilitation Facilities) based on outcome and quality data is still being assessed.

The Company has committed to a commercial strategy to maximize its efforts to position its solutions within individual rehabilitation clinics with additional emphasis on multi-location, high patient volume rehabilitation organizations. The Company believes its robotic systems are a good match to the patient care and business objectives relevant to these larger organizations operating on a regional or national basis.

Outside of the US, our focus is to use distributors to sell in local markets and we currently have a distributor in South Korea. As a result of the termination of our cooperative joint venture in China in fiscal 2021, we are evaluating our China strategy. Our efforts to penetrate the European market are supported by having attained and renewed the CE marking which signifies that InMotion Arm and InMotion Arm/Hand products sold in the European Economic Area (EEA) have been assessed to meet high safety health and environmental protection requirements. Our market strategy also relies on identifying and entering into joint venture arrangements with third parties that can assist us with the development, commercialization and distribution of our technologies and products outside of the EU to include the Middle East, Asia Pac and South American Markets.

We currently sell our robots or can introduce customers to a third-party finance company to lease at a monthly fee over term or other fee structure for our products to hospitals, clinics, distribution companies and/or buying groups that supply those rehabilitation facilities. Additionally, we have the ability to offer a rental program to customers.

Neuro-Recovery Centers

We intend to continue to seek out and acquire rehabilitation centers to showcase our technology and solutions with the goal of building a network of Bionik-branded neuro recovery centers which is the catalyst to our data gathering. Additionally, our rehabilitation centers are expected to expand the continuum of care by promoting use of our InMotion products to a wider audience of patients.

Intellectual Property

We use intellectual property developed, acquired or licensed, including patents, trade secrets and technical innovations to provide our future growth and to build our competitive position. We currently hold an intellectual property portfolio that includes 4 issued U.S. patents and 4 U.S. pending patent applications. As we continue to expand our intellectual property portfolio, it is critical for us to continue to invest in filing patent applications to protect our technology, inventions, and improvements. However, we can give no assurance that we will have sufficient funds to do so or that competitors will not infringe on our patent rights or otherwise create similar or non-infringing competing products that are technically patentable in their own right.

Our patents and pending patents are as follows:

Patent	Status
Robotics	Filed in US
Robotics	Filed in US
Algorithms & Control Systems	Filed in US
Sensory Technology	Filed in US
Robotics	Issued in US
Robotics	Issued in US
Robotics	Issued in US
Robotics	Issued in US

Provided all maintenance fees are timely paid, the earliest issued patent is set to expire in 2033. We may file U.S. provisional patents from time to time, which may expire if we do not pursue full patents within 12 months of the filing date. Provisional patents may not be filed as full patents and new provisional patents may be filed as the technology evolves or changes.

We have also taken steps to protect our brand in key jurisdictions by filing for and registering various trademarks. More specifically, we have:

- registered the trademark InMotion in the U.S., U.K. and the European Union;
- registered the trademark InMotion Connect in the U.K. and the European Union and have a pending application for the same mark in the U.S.;
- registered the trademark InMotion Insights in the U.K. and the European Union;
- the registered trademark InMotion Home in the U.K.; and
- registered the trademark ARKE in the U.K. and the European Union,

These trademarks are to be used in association with the robots and software that Bionik develops and sells related to the applicable product line.

In addition, we acquired licenses to the following U.S. patents on April 21, 2016:

Patent #	Description	Date	Expiration
7,618,381	Wrist and Upper Extremity Motion (MIT License)	11/17/09	10/27/2024
7,556,606	Pelvis Interface: key components for effective motor neuro- Rehabilitation of lower extremities (MIT License)	07/07/09	05/17/2027

In conjunction with the two above acquired licenses from MIT, Bionik is obligated to pay a royalty of 3% on sales within the United States and 1.5% for sales outside the United States, with a minimum annual royalty of \$10,000. To date, we have not determined whether we intend to commercialize the patent relating to the pelvis.

We have to date and will continue to enter non-disclosure, confidentially and intellectual property assignment agreements with all new employees as a condition of employment. In addition, we also generally enter into confidentiality and non-disclosure agreements with consultants, manufacturers' representatives, distributors, suppliers, investors, financial partners and others to attempt to limit access to, use and disclosure of our proprietary information.

Research and Development

Our research and development programs are pursued by engineers and scientists employed by us in Boston on a full-time basis or hired as per diem consultants. InMotion robots are based on research and development originally done at MIT. Our InMotion Wrist technology is based on a patent that we license from MIT.

We also work with advisors who are industry leaders in manufacturing and design and researchers and academia. Our leading robotic advisor is Dr. Neville Hogan of MIT. We are also working with subcontractors in developing specific components of our technologies. The primary objective of our research and development program is to advance the development of our existing and proposed products, to enhance the commercial value of such products.

For the fiscal years ended March 31, 2023 and March 31, 2022, the Company incurred \$0.9 million and \$1.0 million, respectively, in research and development costs. Research and development expenses have remained consistent year over year and will increase when we have sufficient funds and resources.

Government Regulations

General

Our medical technology products and operations are subject to regulation by the U.S. Food and Drug Administration ("FDA") and various other federal and state agencies, as well as corresponding foreign governmental agencies. These agencies enforce laws and regulations that govern the development, testing, manufacturing, labeling, advertising, marketing and distribution, and market surveillance of our medical device products.

In addition to the below, other regulations we encounter are the regulations that are common to all businesses, such as employment legislation, implied warranty laws, and environmental, health and safety standards, to the extent applicable. We will also encounter in the future industry-specific government regulations that would govern our new products, if and when developed for commercial use. It may become the case that other regulatory approvals will be required for the design and manufacture of our products and proposed products.

U.S. Regulation

Under the U.S. Federal Food, Drug, and Cosmetic Act, medical devices are classified into one of three classes — Class I, Class II or Class III — depending on the degree of risk associated with each medical device and the extent of control needed to ensure safety and effectiveness. The InMotion robots are classified as Class II 510(k) exempt products. Our manufacturing facility in Boston is compliant with ISO 13485:2016 (valid until April, 2024), and FDA regulations governing the InMotion ARM and InMotion ARM/HAND.

We also are required to establish a suitable and effective quality management system, which establishes controlled processes for our product design, manufacturing, and distribution. We are doing this in compliance with the internationally recognized standard ISO 13485 Quality Management Systems. Following the introduction of a product, the FDA and foreign agencies may engage in periodic reviews of our quality systems, as well as product performance and advertising and promotional materials. These regulatory controls, as well as any changes in FDA or other foreign agencies' policies, can affect the time and cost associated with the development, introduction, and continued availability of new products.

Where possible, we anticipate these factors in our product development processes.

These agencies possess the authority to take various administrative and legal actions against us, such as product recalls, product seizures and other civil and criminal sanctions.

Foreign Regulation

In addition to regulations in the United States, we will be subject to a variety of foreign regulations governing clinical trials and commercial sales and distribution of our products in foreign countries. InMotion robots have also been designated as Class IIa devices in the EU and are compliant with MDD 93/42/EEC Annex-II (valid until May, 2024). Whether or not we obtain FDA clearance for the marketing, sale and use of a product, we must obtain approval of a product by the comparable regulatory authorities of foreign countries before we can commence clinical trials or marketing of the product in those countries. The process varies from country to country, and the time may be longer or shorter than that required by the FDA.

The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary greatly from country to country.

The policies of the FDA and foreign regulatory authorities may change and or additional government regulations may be enacted which could prevent or delay regulatory approval of our products and could also increase the cost of regulatory compliance. We cannot predict the likelihood, nature or extent of adverse governmental regulation that might arise from future legislative or administrative action, either in the United States or abroad.

Employees and Human Capital Resources

As of June 15, 2023, we had 12 full-time employees and 1 consultant. These employees oversee day-to-day operations of the Company by supporting management, engineering, research and development, sales and marketing and administration functions, as well as operating the Company's rehabilitation clinic. As required, we also engage consultants to provide services to the Company, including quality assurance and corporate services. We have no unionized employees.

We believe that our future success will depend in part on our continued ability to attract, hire and retain qualified personnel. We provide our employees base wages and salaries that we believe are competitive and consistent with employee positions. We can give no assurance that our remaining employees will not terminate their employment with us. We will need to hire additional employees as and if funds permit.

ITEM 1A - RISK FACTORS

An investment in our securities involves a high degree of risk. You should carefully consider the risks described below and all of the other information contained in this Annual Report on Form 10-K, including "Management's Discussion and Analysis of Financial Condition and Results of Operation" and our financial statements and related notes, before investing in our securities. If any of the possible events described in those sections or below actually occur, our business, business prospects, cash flow, results of operations or financial condition could be harmed. In this case, the trading price of our common stock could decline, and you might lose all or part of your investment.

The following is a discussion of the risk factors that we believe are material to us at this time. These risks and uncertainties are not the only ones facing us and there may be additional matters that we are unaware of or that we currently consider immaterial. All of these could adversely affect our business, business prospects, results of operations, financial condition and cash flows.

Risks Related to our Business and Finances

Our future prospects are not certain and may not be successful.

The business and prospects of the Company must be considered in the light of the potential problems, delays, uncertainties, and complications encountered in connection with a launching a relatively new product and partially shifting its focus and business plan to a new operating and financial model by acquiring physical therapy practices to be rebranded as specialized neuro-recovery centers. The risks include, but are not limited to, the possibility that we will not be able to develop functional and scalable products and services, or that although functional and scalable, our products and services will not be economical to market; that our competitors hold proprietary rights that preclude us from marketing such products; that our competitors market a superior or equivalent product; that we are not able to upgrade and enhance our technologies and products to accommodate new features and expanded service offerings; or the failure to receive necessary regulatory clearances for our products. To successfully introduce and market our products at a profit, we must establish brand name recognition and competitive advantages for our products. There are no assurances that we can successfully address these challenges. If it is unsuccessful, we and our business, financial condition and operating results could be materially and adversely affected.

The current and future expense levels are based largely on estimates of planned operations and future revenues. It is difficult to accurately forecast future revenues because the robotics market in general, and the robotics market for therapy in particular, have not been fully developed, and we can give no assurance that our products will continue to fuel revenue growth. If our forecasts prove incorrect, the business, operating results and financial condition of the Company will be materially and adversely affected. Moreover, we may be unable to adjust our spending in a timely manner to compensate for any unanticipated reduction in revenue we expect to generate as a result of our products. As a result, the failure to generate revenues would immediately and adversely affect the business, financial condition, and operating results of the Company.

We cannot predict when we will achieve profitability.

We have not been profitable and cannot predict when we will achieve profitability. We have experienced net losses since our inception in 2010. We began generating revenues after April 2016 as a result of the acquisition of IMT and the sale of the InMotion robots, and we do not anticipate generating significant revenues from other technologies in development until we successfully develop, commercialize and sell products derived from those technologies, of which we can give no assurance. Our first neuro recovery clinic while performing in line with expectations, generated an insignificant amount of revenue during the fiscal year ended March 31, 2023. Although we sold 13 InMotion robots during the fiscal year ended March 31, 2023 and 9 InMotion robots for the fiscal year ended March 31, 2022, we are unable to determine when we will generate significant recurring revenues from the future sale of any of our products to achieve profitability, if ever. Our inability to become profitable has forced us to curtail or temporarily discontinue certain of our research and development programs such as our lower body robotic assistive device, and has forced us to do so with other commercialization programs and our day-to-day operations as a result of our recent cost-cutting measures. Furthermore, there can be no assurance that profitability, if achieved, can be sustained on an ongoing basis. As of March 31, 2023, we had an accumulated deficit of \$100.3 million.

There is substantial doubt on our ability to continue as a going concern.

Our independent registered public accounting firm has issued a going concern qualification as part of its audit report that accompanies our fiscal 2023 audited financial statements included herein. As stated in the notes to our audited financial statements for the fiscal year ended March 31, 2023, we have sustained losses and have accumulated a significant deficit. Our continued existence is dependent upon our ability to continue to execute our operating plan and to obtain additional debt or equity financing.

There can be no assurance that the additional necessary debt or equity financing will be available, or will be available on terms acceptable to us, in which case we may be unable to meet our obligations or fully implement our business plan, if at all. Additionally, should we be unable to realize our assets and discharge our liabilities in the normal course of business, the net realizable value of our assets may be materially less than the amounts recorded in our financial statements. We can further give no assurance that we will be as or more successful in raising capital, or that our company will be stronger financially, as a result of our recently implemented cost-cutting measures and as and when we terminate the registration of our common stock under Section 12(g) of the Exchange Act and to suspend our reporting obligations under Section 15(d) of the Exchange Act.

We are subject to significant accounts payable and other current liabilities.

We have accounts payable and accrued liabilities of approximately \$1.9 million as of March 31, 2023. We also incur indebtedness from time to time to fund operations, which have historically been converted into equity (including, most recently, on June 13, 2023), but in the future may be required to be repaid at maturity. Our operations are not currently able to generate sufficient cash flows to meet our payable and other liabilities, which could reduce our financial flexibility, increase interest expenses, and adversely impact our operations. We have not historically generated sufficient cash flow from operations to enable us to repay indebtedness and to fund other liquidity needs, including capital expenditure requirements. Such indebtedness could affect our operations in several ways, including the following:

- a significant portion of our cash flows could be required to be used to service such indebtedness.
- a high level of indebtedness could increase our vulnerability to general adverse economic and industry conditions.
- any covenants contained in the agreements governing such outstanding indebtedness could limit our ability to borrow additional funds, dispose of assets, pay dividends and make certain investments.
- a high level of indebtedness may place us at a competitive disadvantage compared to our competitors that are less leveraged and, therefore, our competitors may be able to take advantage of opportunities that our indebtedness may prevent us from pursuing.
- debt covenants may affect our flexibility in planning for, and reacting to, changes in the economy and in our industry, if any; and
- any ability to convert or exchange such indebtedness for equity in the Company can cause substantial dilution to existing stockholders of the Company.

We will require additional capital to support our present business plan and our anticipated business growth, and such capital may not be available on acceptable terms, or at all, which would adversely affect our ability to operate; and such capital may substantially dilute the interests of existing stockholders.

We will require additional funds to further develop our business plan and have been relying on convertible and term debt financing to fund the operation of our business. Based on our current operating plans, even after implementation of our cost-cutting measures, our resources are currently not sufficient to fund our planned operations, including those necessary to introduce development-stage products into the rehabilitation and mobility markets and continue to seek out and acquire rehabilitation centers to showcase the Company's technology and solutions. Since it is unlikely that we will generate sufficient revenues from our operating activities to fund all of our operating and development plans, we will need to raise additional funds through debt, equity or equity-linked offerings or otherwise in order to meet our expected future liquidity requirements, including development of existing products, introducing other products or pursuing new product opportunities. Any such financing that we undertake will likely be dilutive to current stockholders or may require that we relinquish rights to certain of our technologies or products. We can further give no assurance that we will be as or more successful in raising capital as and when we terminate the registration of our common stock under Section 12(g) of the Exchange Act and to suspend our reporting obligations under Section 15(d) of the Exchange Act.

To the extent we have the funds to do so, of which we can give no assurance we intend to continue to make investments to support our business growth through introducing new products, including patent or other intellectual property asset creation, the acquisition of other businesses or strategic assets and licensing of technology or other assets. To fully execute on our business plan, we will need additional funds to respond to business opportunities and challenges, including ongoing operating expenses, protecting our intellectual property, satisfying debt payment obligations, developing new lines of business and enhancing our operating infrastructure. While we will need to seek additional funding for such purposes, we may not be able to obtain financing on acceptable terms, or at all. In addition, the terms of our financings may be dilutive to, or otherwise adversely affect, holders of our common stock or common stock equivalents. Certain of our former convertible noteholders have anti-dilution rights pursuant to which, in the event we sell common stock for cash at less than the conversion price of such converted notes, we will have to issue additional shares to such noteholders to address the dilution, which could cause us to issue a substantial number of additional shares depending on the sales price of the common stock. We have previously and may again seek additional funds through arrangements with collaborators or other third parties. We may not be able to negotiate any such arrangements on acceptable terms, if at all. If we are unable to obtain additional funding on a timely basis, we may be required to curtail or terminate some or all of our business plans.

We may never complete the development of any of our proposed products or product improvements into marketable products.

We do not know when or whether we will successfully complete the development of the planned development-stage or next generation InMotion robots including the InMotion Home, or any other proposed, developmental, or contemplated product such as our lower limb technology, for any of our target markets. We continue to seek to improve our technologies before we are able to produce a commercially viable product. Failure to improve on any of our technologies could delay or prevent their successful development for any of our target markets.

Developing any technology into a marketable product is a risky, time consuming and expensive process. You should anticipate that we will encounter setbacks, discrepancies requiring time consuming and costly redesigns and changes and that there is the possibility of outright failure. We may not meet our product development, manufacturing, regulatory, commercialization and other milestones.

We have established milestones, based upon our expectations regarding our technologies at that time, which we use to assess our progress toward developing our products. These milestones relate to product rollouts, technology and design improvements as well as to dates for achieving development goals and regulatory approvals, among other things. If our products exhibit technical defects or are unable to meet cost or performance goals or for any other reason, our commercialization schedule could be delayed and potential purchasers of our commercial products, may decline to purchase such products or may opt to pursue alternative products. Due to our current budgeting constraints, and evolving timelines on our products in development, we are changing or delaying some of the timelines and milestones for our other technologies being developed.

Customers will be unlikely to buy any of our proposed, developmental, or contemplated products unless we can demonstrate that they can be produced for sale to consumers at attractive prices.

We retained a third-party manufacturer to manufacture our products, in addition to our Boston-based manufacturing facility now used primarily for research and development purposes but may continue to be used to manufacture and assemble some or all of our products as needed. We can offer no assurance that either we or our manufacturing partners will continue to develop efficient, automated, low-cost manufacturing capabilities and processes to meet the quality, price, engineering, design and production standards or production volumes required to successfully mass market any of our existing or contemplated products. Even if we or our manufacturing partners are successful in developing such manufacturing capability and processes, we do not know whether we or they will be timely in meeting our product commercialization schedule or the production and delivery requirements of potential customers. A failure to develop such manufacturing processes and capabilities could have a material adverse effect on our business and financial results.

The price of our existing or contemplated products is in part dependent on material and other manufacturing costs. We are unable to offer any assurance that either we or a manufacturing partner from time to time will be able to reduce costs to a level which will allow production of a competitive product or that any product produced using lower cost materials and manufacturing processes will not suffer from a reduction in performance, reliability and longevity. Furthermore, although we have implemented a pricing structure for our existing products, we can give no assurance that this pricing structure will not require changes in the future that could affect the attractiveness of our pricing.

Our products may not be accepted in the market.

We cannot be certain that our current products or any other products we may develop, or market will achieve or maintain broad market acceptance. Market acceptance of our products depends on many factors, including our ability to convince key opinion leaders to provide recommendations regarding our products, convince distributors and customers that our technology is an attractive alternative to other technologies, demonstrate that our products are reliable and supported by us in the field, supply and service sufficient quantities of products directly or through marketing alliances, and price products competitively in light of the current macroeconomic environment, which, particularly in the case of the medical device industry, are becoming increasingly price sensitive.

The industries in which we operate are highly competitive and subject to rapid technological change. If our competitors are better able to develop and market products that are safer, more effective, less costly, easier to use, or are otherwise more attractive, we may be unable to compete effectively with other companies.

The medical technology industry is characterized by intense competition and rapid technological change and we will face competition based on product features, clinical outcomes, price, services and other factors. Competitors may include large medical device and other companies, some of which have significantly greater financial and marketing resources than we do, and firms that are more specialized than we are with respect to particular markets. Our competition may respond more quickly to new or emerging technologies, undertake more extensive marketing campaigns, have greater financial, marketing, and other resources than ours or may be more successful in attracting potential customers, employees and strategic partners.

We face competition from other companies that also focus on robotic rehabilitation solutions to individuals with neurological disorders. Hocoma, Motorika and Tyromotion are each currently selling products that may compete with our InMotion product and we believe that there are other smaller potential competitors in various stages of development that may compete with us directly or indirectly. Cyberdyne and Honda are the main competitors of one of our consumer development products. These companies have longer operating histories and may have greater name recognition and substantially greater financial, technical, and marketing resources than us. Many of these companies also have FDA or other applicable governmental approval to market and sell their products, and more extensive customer bases, broader customer relationships and broader industry alliances than us, including relationships with many of our potential customers. Increased competition from any of these sources could result in our failure to achieve and maintain an adequate level of customers and market share to support the cost of our operations. We expect similar strong competition with respect to any other product or technology we develop or acquire.

Our competitive position will depend on multiple, complex factors, including our ability to achieve market acceptance for our products, develop new products, implement production and marketing plans, secure regulatory approvals for products under development and protect our intellectual property. In some instances, competitors may also offer, or may attempt to develop, alternative therapies that may be delivered without a medical device or a medical device superior to ours. The development of new or improved products, processes or technologies by other companies may render our products or proposed products obsolete or less competitive. The entry into the market of manufacturers located in low-cost manufacturing locations may also create pricing pressure, particularly in developing markets. Our future success depends, among other things, upon our ability to compete effectively against current technology, as well as to respond effectively to technological advances, and upon our ability to successfully implement our marketing strategies and execute our research and development plan.

We may not be successful in operating and rebranding Tower Aquatic or other physical therapy clinics we acquire in conjunction with our national strategic rollout of rehabilitation clinics.

As part of our growth strategy, we intend to continue pursuing acquisitions of outpatient physical therapy clinics and rebranding those clinics in conjunction with our national strategic rollout of rehabilitation clinics. The success of Tower Aquatic and other acquired clinics depends on several factors including:

- the difficulty and expense of integrating acquired personnel into our business;
- the successful negotiation of competitive rates with insurance companies;
- the diversion of management's time from existing operations;
- our ability to recruit, train and retain experienced therapists;
- the difficulty of assignment and/or procurement of managed care contractual arrangements; and
- cultivation and maintenance of relationships with physicians and other referral sources in the markets in which they operate.

Risks Relating to Governmental Regulations, Insurance and Reimbursement

We are subject to extensive governmental regulations relating to the manufacturing, labeling, and marketing of our products.

Our medical technology products and operations are or are expected to be subject to regulation by the FDA, Health Canada and other governmental authorities both inside and outside of the United States. These agencies enforce laws and regulations that govern the development, testing, manufacturing, labeling, advertising, marketing and distribution, and market surveillance of our medical products.

Under the United States Federal Food, Drug, and Cosmetic Act, medical devices are classified into one of three classes — Class I, Class II or Class III — depending on the degree of risk associated with each medical device and the extent of control needed to ensure safety and effectiveness. Class II devices require a 510(k) premarket submission to the US FDA.

The Company's InMotion robots have been characterized as Class II devices by the FDA.

In addition to regulations in the United States, we will be subject to a variety of foreign regulations governing clinical trials and commercial sales and distribution of our products in foreign countries. Whether or not we obtain FDA approval for a product, we must obtain approval of a product by the comparable regulatory authorities of foreign countries before we can market the product in those countries. The approval process varies from country to country, and the time may be longer or shorter than that required for FDA approval. The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary greatly from country to country.

The policies of the FDA and foreign regulatory authorities may change and or additional government regulations may be enacted which could prevent or delay regulatory approval of our products and could also increase the cost of regulatory compliance. We cannot predict the likelihood, nature or extent of adverse governmental regulation that might arise from future legislative or administrative action, either in the United States or abroad.

Following the introduction of a product, these agencies will also periodically review our manufacturing processes and product performance. The process of complying with the applicable good manufacturing practices, adverse event reporting, clinical trial and other requirements can be costly and time consuming, and could delay or prevent the production, manufacturing, or sale of our products. In addition, if we fail to comply with applicable regulatory requirements, it could result in fines, delays or suspensions of regulatory clearances, closure of manufacturing sites, seizures or recalls of products and damage to our reputation. Recent changes in enforcement practice by the FDA and other agencies have resulted in increased enforcement activity, which increases the compliance risk for the Company and other companies in our industry. In addition, governmental agencies may impose new requirements regarding registration, labeling or prohibited materials that may require us to modify or re-register products already on the market or otherwise impact our ability to market our products in those countries. Once clearance or approval has been obtained for a product, there is an obligation to ensure that all applicable FDA, Health Canada and other regulatory requirements continue to be met.

We may be subject to penalties and may be precluded from marketing our products if we fail to comply with extensive governmental regulations.

The InMotion robots, and we believe certain other products under development, are or will be categorized as a Class II device in the U.S. Class II devices require a 510(k) premarket submission to the US FDA. However, the FDA has not made any determination about whether our proposed medical products are Class II medical devices and, from time to time, the FDA may disagree with the classification of a new Class II medical device and require the manufacturer of that device to apply for approval as a Class III medical device. In the event that the FDA determines that our medical products should be reclassified as a Class III medical device, we could be precluded from marketing the devices for clinical use within the United States for months, years or longer, depending on the specific changes to the classification. Reclassification of our products as Class III medical devices could significantly increase our regulatory costs, including the timing and expense associated with required clinical trials and other costs.

The FDA and non-U.S. regulatory authorities require that our products be manufactured according to rigorous standards. These regulatory requirements may significantly increase our production costs and may even prevent us from making our products in amounts sufficient to meet market demand. If we change our manufacturing process, regulatory authorities may need to review the process before it may be used. Failure to comply with applicable regulatory requirements discussed could subject us to enforcement actions, including warning letters, fines, injunctions and civil penalties, recall or seizure of our products, operating restrictions, partial suspension or total shutdown of our production and criminal prosecution.

Federal, State and non-U.S. regulations regarding the manufacture and sale of medical devices are subject to future changes. The complexity, timeframes and costs associated with obtaining marketing clearances are unknown. Although we cannot predict the impact, if any, these changes might have on our business, the impact could be material.

If we are not able to both obtain and maintain adequate levels of third-party reimbursement for our products, it would have a material adverse effect on our business.

Healthcare providers and related facilities are generally reimbursed for their services through payment systems managed by various governmental agencies worldwide, private insurance companies, and managed care organizations. The manner and level of reimbursement in any given case may depend on the site of care, the procedure(s) performed, the final patient diagnosis, the device(s) utilized, available budget, or a combination of these factors, and coverage and payment levels are determined at each payer's discretion. The coverage policies and reimbursement levels of these third-party payers may impact the decisions of healthcare providers and facilities regarding which medical products they purchase and the prices they are willing to pay for those products.

Thus, changes in reimbursement levels or methods may either positively or negatively impact sales of our products.

We have no direct control over payer decision-making with respect to coverage and payment levels for our medical device products. Additionally, we expect many payers to continue to explore cost-containment strategies (e.g., comparative and cost-effectiveness analyses, so-called "pay-for-performance" programs implemented by various public and private payers, and expansion of payment bundling schemes such as Accountable Care Organizations, and other such methods that shift medical cost risk to providers) that may potentially impact coverage and/or payment levels for our current products or products we develop.

As our product offerings are expected to be diverse across healthcare settings, they will likely be affected to varying degrees by the many payment systems. Therefore, individual countries, product lines or product classes may be impacted by changes to these systems.

Changes in reimbursement practices of third-party payers could affect the demand for our products and the prices at which they are sold.

The sales of our InMotion robot and proposed products could depend, in part, on the extent to which healthcare providers and facilities or individual users are reimbursed by government authorities, private insurers and other third-party payers for the costs of our products or the services performed with our products. The coverage policies and reimbursement levels of third-party payers, which can vary among public and private sources and by country, may affect which products are purchased by customers and the prices they are willing to pay for those products in a particular jurisdiction. Reimbursement rates can also affect the acceptance rate of new technologies. Legislative or administrative reforms to reimbursement systems in the United States or abroad, or changes in reimbursement rates by private payers, could significantly reduce reimbursement for procedures using the Company's products or result in denial of reimbursement for those products, which would adversely affect customer demand or the price customers may be willing to pay for such products.

Recent executive and legislative actions to amend or impede the implementation of the Affordable Care Act and ongoing efforts to repeal, replace or further modify the Affordable Care Act may adversely affect our business, financial condition, and results of operations.

In the United States, there have been, and we expect there will continue to be, a number of legislative and regulatory changes to the healthcare system in ways that may adversely affect our business and financial results. Federal and state lawmakers regularly propose and, at times, enact legislation that could result in significant changes to the healthcare system, some of which are intended to contain or reduce the costs of medical products and services. Current and future legislative proposals to further reform healthcare or reduce healthcare costs may limit coverage of or lower reimbursement for our products. The cost containment measures that payers and providers are instituting and the effect of any healthcare reform initiative implemented in the future could impact our revenue from the sale of our products. For example, the Patient Protection and Affordable Act of 2010, commonly referred to as the Affordable Care Act, contains a number of provisions, including those governing enrollment in federal healthcare programs, reimbursement changes and fraud and abuse measures, all of which will impact existing government healthcare programs and will result in the development of new programs.

Executive and legislative actions to amend or impede the implementation of the Affordable Care Act and ongoing efforts to repeal, replace or further modify the Affordable Care Act may adversely affect our business, financial condition, and results of operations.

For example, President Trump signed several Executive Orders and other directives designed to delay the implementation of certain provisions of the Affordable Care Act. Concurrently, Congress considered legislation to repeal or repeal and replace all or part of the Affordable Care Act. While Congress has not passed comprehensive repeal legislation, it has enacted laws that modify certain provisions of the Affordable Care Act such as removing penalties, starting January 1, 2019, for not complying with the Affordable Care Act's individual mandate to carry health insurance and delaying the implementation of certain fees mandated by the Affordable Care Act. On December 14, 2018, a Texas U.S. District Court Judge ruled that the Affordable Care Act is unconstitutional in its entirety because the individual mandate was repealed by Congress as part of the Tax Cuts and Jobs Act of 2017. Additionally, on December 18, 2019, the U.S. Court of Appeals for the 5th Circuit upheld the District Court ruling that the individual mandate was unconstitutional and remanded the case back to the District Court to determine whether the remaining provisions of the Affordable Care Act are invalid as well. The United States Supreme Court recently reversed and remanded the matter, finding that the plaintiffs did not have standing to sue but did not rule on the Affordable Care Act. On January 28, 2021, President Biden issued an executive order to initiate a special enrollment period from February 15, 2021 through May 15, 2021 for purposes of obtaining health insurance coverage through the Affordable Care Act marketplace. The executive order also instructs certain governmental agencies to review and reconsider their existing policies and rules that limit access to healthcare, including among others, reexamining Medicaid demonstration projects and waiver programs that include work requirements, and policies that create unnecessary barriers to obtaining access to health insurance coverage through Medicaid or the Affordable Care Act. It is unclear how the recent Supreme Court ruling, other such litigation and the healthcare reform measures of the Biden administration will impact the Affordable Care Act and negatively affect our business, financial condition and results of operations.

The current presidential administration and Congress may pursue significant changes to the current healthcare laws although the Biden Administration has signaled that it plans to build on the Affordable Care Act and expand the number of people who are eligible for subsidies under it. We face uncertainties that might result from modifications or repeal of any of the provisions of the Affordable Care Act, including as a result of current and future executive orders and legislative actions. The impact of those changes on us and potential effect on our industry as a whole is currently unknown. Any changes to the Affordable Care Act are likely to have an impact on our results of operations, and may negatively affect our business, financial condition and results of operations. We cannot predict what other healthcare programs and regulations will ultimately be implemented at the federal or state level or the effect of any future legislation or regulation in the United States may negatively affect our business, financial condition and results of operations.

We expect that additional state and federal healthcare reform measures will be adopted in the future, particularly in light of the new presidential administration. Changes in healthcare policy could increase our costs and subject us to additional regulatory requirements that may interrupt commercialization of our current and future solutions. Changes in healthcare policy could increase our costs, decrease our revenue and impact sales of and reimbursement for our current and future products. Further, it is possible that additional governmental action is taken in response to the COVID-19 pandemic.

The net effect of the Affordable Care Act, as currently in effect, on our business is subject to a number of variables, including the law's complexity, lack of complete implementing regulations and interpretive guidance, and the sporadic implementation of the numerous programs designed to improve access to and the quality of healthcare services. Additional variables of the Affordable Care Act impacting our business will be how states, providers, insurance companies, employers, and other market participants respond during this period of uncertainty surrounding the future of the Affordable Care Act.

The medical device industry is experiencing greater scrutiny and regulation by governmental authorities, which may lead to greater governmental regulation in the future.

In recent years, the medical device industry has been subject to increased regulatory scrutiny, including by the FDA, Health Canada and numerous other federal, state, provincial and foreign governmental authorities. This has included increased regulation, enforcement, inspections, and governmental investigations of the medical device industry and disclosure of financial relationships with health care professionals. We anticipate that governments will continue to scrutinize our industry closely, and that additional regulation by governmental authorities, both foreign and domestic, may increase compliance costs, exposure to litigation and other adverse effects to our operations.

Unsuccessful clinical trials or procedures relating to products under development could have a material adverse effect on our prospects.

The regulatory approval process for new products and new indications for existing products requires extensive clinical trials and procedures, including early clinical experiences and regulatory studies. Unfavorable or inconsistent clinical data from current or future clinical trials or procedures conducted by us, our competitors, or third parties, or perceptions regarding this clinical data, could adversely affect our ability to obtain necessary approvals and the market's view of our future prospects. Such clinical trials and procedures are inherently uncertain and there can be no assurance that these trials or procedures will be completed in a timely or cost-effective manner or result in a commercially viable product. Failure to successfully complete these trials or procedures in a timely and cost-effective manner could have a material adverse effect on our prospects. Clinical trials or procedures may experience significant setbacks even after earlier trials have shown promising results. Further, preliminary results from clinical trials or procedures may be contradicted by subsequent clinical analysis.

In addition, results from our clinical trials or procedures may not be supported by actual long-term studies or clinical experience. If preliminary clinical results are later contradicted, or if initial results cannot be supported by actual long-term studies or clinical experience, our business could be adversely affected. Clinical trials or procedures may be suspended or terminated by us, the FDA, or other regulatory authorities at any time if it is believed that the trial participants face unacceptable health risks.

Changes in Medicare rules and guidelines and reimbursement or failure of our clinic to maintain their Medicare certification and/or enrollment status could adversely affect our business, financial condition and results of operations.

Given the history of frequent revisions to the Medicare program and its reimbursement rates and rules, we may not continue to receive reimbursement rates from Medicare that sufficiently compensate us for our services or, in some instances, cover our operating costs. Limits on reimbursement rates or the scope of services being reimbursed could have a material adverse effect on our revenue, financial condition, and results of operations. Additionally, any delay or default by the federal or state governments in making Medicare reimbursement payments could materially and, adversely, affect our business, financial condition and results of operations.

Changes in reimbursement rates or payment methods from third party payors, including government agencies, and changes in the deductibles and co-pays owed by patients, could adversely affect our business strategy, operations, and financial results.

In recent years, through legislative and regulatory actions, the federal government has made substantial changes to various payment systems under the Medicare program. Additional reforms or other changes to these payment systems may be proposed or adopted, either by the U.S. Congress or by Centers for Medicare & Medicaid Services, including bundled payments, outcomes-based payment methodologies and a shift away from traditional fee-for-service reimbursement. If revised regulations are adopted, the availability, methods and rates of Medicare reimbursements for services of the type furnished at our facilities could change. Some of these changes and proposed changes could adversely affect our business strategy, operations, and financial results.

Failure to comply with federal and state laws and regulations relating to the privacy of individually identifiable patient information, could result in associated fines and penalties.

HIPAA required the HHS to adopt standards to protect the privacy and security of individually identifiable health-related information. The department released final regulations containing privacy standards in 2000 and published revisions to the final regulations in 2002. The privacy regulations extensively regulate the use and disclosure of individually identifiable health-related information. The regulations also provide patients with significant rights related to understanding and controlling how their health information is used or disclosed. The security regulations require healthcare providers to implement administrative, physical and technical practices to protect the security of individually identifiable health information that is maintained or transmitted electronically. HITECH, which was signed into law in 2009, enhanced the privacy, security and enforcement provisions of HIPAA by, among other things establishing security breach notification requirements, allowing enforcement of HIPAA by state attorneys general, and increasing penalties for HIPAA violations. Violations of HIPAA or HITECH could result in civil or criminal penalties.

In addition to HIPAA, there are numerous federal and state laws and regulations addressing patient and consumer privacy concerns, including unauthorized access or theft of personal information.

State statutes and regulations vary from state to state. Lawsuits, including class actions and action by state attorneys general, directed at companies that have experienced a privacy or security breach also can occur. We have established policies and procedures in an effort to ensure compliance with these privacy related requirements. However, if there is a breach, we may be subject to various penalties and damages and may be required to incur costs to mitigate the impact of the breach on affected individuals.

Governmental and other third party payor inspections, reviews, investigations and audits may result in sanctions or reputational harm and increased costs.

The healthcare industry, including related to rehabilitation clinics, is subject to extensive federal, state and local laws and regulations relating to:

- facility and professional licensure/permits, including certificates of need;
- conduct of operations, including financial relationships among healthcare providers, Medicare fraud and abuse, and physician self-referral;
- addition of facilities and services; and
- coding, billing and payment for services.

In recent years, there have been heightened coordinated civil and criminal enforcement efforts by both federal and state government agencies relating to the healthcare industry. We believe we are in substantial compliance with all laws, but differing interpretations or enforcement of these laws and regulations could subject our current practices to allegations of impropriety or illegality or could require us to make changes in our methods of operations, facilities, equipment, personnel, services and capital expenditure programs and increase our operating expenses. If we fail to comply with these extensive laws and government regulations, we could become ineligible to receive government program reimbursement, suffer civil or criminal penalties or be required to make significant changes to our operations. In addition, we could be forced to expend considerable resources responding to an investigation or other enforcement action under these laws or regulations.

Both federal and state regulatory agencies inspect, survey and audit our facilities to review our compliance with these laws and regulations. While our facilities intend to comply with the existing licensing, Medicare certification requirements and accreditation standards, there can be no assurance that these regulatory authorities will determine that all applicable requirements are fully met at any given time. A determination by any of these regulatory authorities that a facility is not in compliance with these requirements could lead to the imposition of requirements that the facility takes corrective action, assessment of fines and penalties, or loss of licensure or Medicare certification of accreditation. These consequences could have an adverse effect on us.

Risks Relating to our Intellectual Property

Intellectual property litigation and infringement claims could cause us to incur significant expenses or prevent us from selling certain of our products.

The industry in which we operate, including, in particular, the medical device industry, are characterized by extensive intellectual property litigation and, from time to time, we might be the subject of claims by third parties of potential infringement or misappropriation. Regardless of outcome, such claims are expensive to defend and divert the time and effort of our management and operating personnel from other business issues. A successful claim or claims of patent or other intellectual property infringement against us could result in our payment of significant monetary damages and/or royalty payments or negatively impact our ability to sell current or future products in the affected category and could have a material adverse effect on its business, cash flows, financial condition or results of operations.

If we are unable to protect our patents or other proprietary rights, or if we infringe on the patents or other proprietary rights of others, our competitiveness and business prospects may be materially damaged.

We own 4 issued U.S. patents and 4 U.S. pending patent applications. We also have exclusive licensing rights to three patents of which one relates to components of our InMotion robots. We intend to continue to seek legal protection, primarily through patents, trade secrets and contractual provisions, for our proprietary technology, as cash flow allows. Such methods may not be adequate to protect us or permit us to gain or maintain a competitive advantage. Seeking patent protection is a lengthy and costly process, which we can give no assurance of success and there can be no assurance that patents will be issued from any pending applications, or that any claims allowed from existing or pending patents will be sufficiently broad or strong to protect our proprietary technology. There is also no guarantee that any patents we hold will not be challenged, invalidated, or circumvented, or that the patent rights granted will provide competitive advantages to us. Our competitors have developed and may continue to develop and obtain patents for technologies that are similar or superior to our technologies. In addition, the laws of foreign jurisdictions in which we develop, manufacture, or sell our products may not protect our intellectual property rights to the same extent, as do the laws of the United States and Canada.

Despite our efforts to safeguard our unpatented and unregistered intellectual property rights, we may not be successful in doing so or the steps taken by us in this regard may not be adequate to detect or deter misappropriation of our technologies or to prevent an unauthorized third party from copying or otherwise obtaining and using our products, technologies or other information that we regard as proprietary. Additionally, third parties may be able to design around our patents. Our inability to adequately protect our intellectual property could allow our competitors and others to produce products based on our technologies, which could substantially impair our ability to compete.

Adverse outcomes in current or future legal disputes regarding patent and other intellectual property rights or our ability to bring or defend against such actions due to lack of funds could result in the loss of our intellectual property rights, subject us to significant liabilities to third parties, require us to seek licenses from third parties on terms that may not be reasonable or favorable to us, prevent us from manufacturing, importing or selling our products, or compel us to redesign our products to avoid infringing third parties' intellectual property. As a result, we may be required to incur substantial costs to prosecute, enforce or defend our intellectual property rights if they are challenged. Any of these circumstances could have a material adverse effect on our business, financial condition and resources or results of operations.

Our ability to develop intellectual property depends in large part on hiring retaining and motivating highly qualified design and engineering staff with the knowledge and technical competence to advance our technology and productivity goals.

We have entered into confidentiality and/or intellectual property assignment agreements with many of our employees and consultants as one of the ways we seek to protect our intellectual property and other proprietary technologies. However, these agreements may not be enforceable or may not provide meaningful protection for our trade secrets or other proprietary information in the event of unauthorized use or disclosure or other breaches of the agreements.

Our employees and consultants may unintentionally or willfully disclose our confidential information to competitors, and confidentiality agreements may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. Enforcing a claim that a third party illegally obtained and is using our proprietary know-how is expensive and time-consuming, and the outcome is unpredictable. In addition, courts outside the United States are sometimes less willing to protect know-how than courts in the United States. Moreover, our competitors may independently develop equivalent knowledge, methods, and know-how. Failure to obtain or maintain intellectual property protection could adversely affect our competitive business position.

Risks Related To Our Securities And Governance Matters

The concentration of our capital stock ownership with insiders will likely limit your ability to influence corporate matters.

Our executive officers, directors, and their affiliated entities together beneficially own approximately 57% of our issued and outstanding common stock. As a result, these stockholders, if they act together or in a block, could have significant influence over virtually all matters that require approval by our stockholders, including the election of directors and approval of significant corporate transactions, even if other stockholders oppose them. This concentration of ownership might also have the effect of delaying or preventing a change of control of our company that other stockholders may view as beneficial.

We cannot assure you that the Company's Common Stock will ever be listed on a national securities exchange.

We cannot assure you that the Company's common stock or other securities will ever be listed on any national securities exchange. As of May 26, 2022 our common stock commenced trading on the OTCPink tier of the OTC Marketplace, from the OTCQB tier. If our Common Stock remains quoted on the OTC Marketplace, whichever the tier, rather than being listed on a national securities exchange, an investor may find it more difficult to dispose of shares or obtain accurate quotations as to the market value of the Company's Common Stock. Similarly, an investor may find it more difficult to deposit or dispose of shares or obtain accurate quotations as to the market value of the Company's Common Stock.

In addition, as a result of our planned termination of the registration of our common stock under Section 12(g) of the Exchange Act and suspension of our reporting obligations under Section 15(d) of the Exchange Act, (a) it is expected that our common stock will be quoted on a lower tier of the Pink Market or even not on the OTC Marketplace and (b) we may never re-register under the Exchange Act and as part of such registration, list our common stock on a national securities exchange.

We will not have a liquid market for the Company's Common Stock or attract the attention of research analysts at major brokerage firms as a result of our planned deregistration from the Exchange Act.

We have been unable to establish a liquid market for the Company's common stock. Moreover, few security analysts of brokerage firms provide coverage of the Company, which we expect will continue or get worse after the planned termination of the registration of our common stock under Section 12(g) of the Exchange Act and suspension of our reporting obligations under Section 15(d) of the Exchange Act.

We cannot predict whether an active market for the Company's Common Stock will ever develop in the future, in the event we determine to again seek to be registered under the Exchange Act. In the absence of an active trading market:

- Investors will likely have difficulty buying and selling or obtaining market quotations;
- Market visibility for shares of the Company's common stock will be limited or non-existent; and
- A lack of visibility for shares of the Company's common stock will likely have a depressive effect on the market price for shares of the Company's Common Stock.

The Company's common stock is quoted on the OTCPink tier of the OTC Marketplace. These markets are relatively unorganized, interdealer, over-the-counter markets that provide significantly less liquidity than NASDAQ or the NYSE. No assurances can be given that our common stock will ever actively trade, especially after the planned termination of the registration of our common stock under Section 12(g) of the Exchange Act and suspension of our reporting obligations under Section 15(d) of the Exchange Act. In any of these events, there will likely remain a highly illiquid market for the Company's common stock and you may be unable to dispose of your common stock at desirable prices or at all.

An active and visible public trading market for the Company's Common Stock may not develop and the market for our common stock is limited.

Our common stock is thinly traded and will likely cease trading after the planned termination of the registration of our common stock under Section 12(g) of the Exchange Act and suspension of our reporting obligations under Section 15(d) of the Exchange Act. Any reported sales price may not be a true market-based valuation of our common stock. In addition, the stock market in general has at times experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to operating performance. Consequently, holders of shares of our common stock may not be able to liquidate their investment in the Company's shares at prices that they may deem appropriate. Although we may in the future consider again registering under the Exchange Act and seeking to list our common stock on a national securities exchange, we can give no assurance that we will ever do so.

The market price for our Common Stock may be volatile.

The market price for our Common Stock may be volatile and subject to wide fluctuations in response to factors including the following:

- Actual or anticipated fluctuations in our quarterly or annual operating results;

- Changes in financial or operational estimates or projections;
- Conditions in markets generally;
- Changes in the economic performance or market valuations of companies similar to ours;
- Announcements by us or our competitors of new products, acquisitions, strategic partnerships, joint ventures, or capital commitments;
- Our intellectual property position; and
- General economic or political conditions in the United States, Canada or elsewhere.

In addition, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of shares of our common stock.

As our Common Stock is subject to the SEC's penny stock rules, broker-dealers may experience difficulty in completing customer transactions and trading activity in our securities may be adversely affected.

The SEC has adopted regulations, which generally define “penny stock” to be an equity security that has a market price of less than \$5.00 per share, subject to specific exemptions. The market price of our Common Stock is currently and may in the future continue to be less than \$5.00 per share and therefore would be a “penny stock” according to SEC rules, unless we are listed on a national securities exchange. Under these rules, broker-dealers who recommend such securities to persons other than institutional accredited investors must:

- Make a special written suitability determination for the purchaser;
- Receive the purchaser's prior written agreement to the transaction;
- Provide the purchaser with risk disclosure documents which identify certain risks associated with investing in “penny stocks” and which describe the market for these “penny stocks” as well as a purchaser's legal remedies; and
- Obtain a signed and dated acknowledgment from the purchaser demonstrating that the purchaser has actually received the required risk disclosure document before a transaction in a “penny stock” can be completed.

When our common stock is subject to these rules, broker-dealers may find it difficult to effectuate customer transactions and trading activity in our securities may be adversely affected. As a result, the market price of our securities may be depressed, and you may find it more difficult to sell your securities.

After the planned termination of the registration of our common stock under Section 12(g) of the Exchange Act and suspension of our reporting obligations under Section 15(d) of the Exchange Act, your broker may no longer hold your shares in street name, which would make it more difficult for you to transfer your shares.

At such time that we terminate the registration of our common stock under Section 12(g) of the Exchange Act and suspend our reporting obligations under Section 15(d) of the Exchange Act, brokers that hold your stock may distribute or “kick-out” such shares to the beneficial owners. Owners of certificated shares or shares held in book-entry form at our transfer agent would make it more difficult for you to transfer your shares, even if a market for transfer exists.

Our Amended and Restated Certificate of Incorporation, as amended, designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.

Our Amended and Restated Certificate of Incorporation, as amended provides that, unless we consent in writing to an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for: (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim for breach of a fiduciary duty owed by any director, officer, employee or agent of the Company to the Company or the Company's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, the Company's Amended and Restated Certificate of Incorporation, as amended, or the By-laws or (iv) any action asserting a claim governed by the internal affairs doctrine.

This choice of forum provision does not preclude or contract the scope of exclusive federal jurisdiction for any actions brought under the Exchange Act. Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. As a result, the exclusive forum provision will not apply to suits brought to enforce any duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction, and the Company does not intend for the exclusive forum provision to apply to Exchange Act claims. It could apply, however, to a suit that falls within one or more of the categories enumerated in the exclusive forum provision and that asserts claims under the Securities Act, inasmuch as Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. There is uncertainty as to whether a court would enforce such an exclusive forum provision with respect to claims under the Securities Act. In addition, our stockholders will not be deemed to have waived the Company's compliance with the federal securities laws and the rules and regulations thereunder. Subject to the foregoing, any person purchasing or otherwise acquiring any interest in any shares of our capital stock shall be deemed to have notice of and to have consented to this provision of our Amended and Restated Certificate of Incorporation, as amended.

This choice of forum provision may limit our stockholders' ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, employees or agents, which may discourage such lawsuits against us and our directors, officers, employees and agents even though an action, if successful, might benefit our stockholders. Stockholders who do bring a claim in the Court of Chancery could face additional litigation costs in pursuing any such claim, particularly if they do not reside in or near Delaware. The Court of Chancery may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action, and such judgments or results may be more favorable to us than to our stockholders. Alternatively, if a court were to find this provision of our Amended and Restated Certificate of Incorporation, as amended, inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could have a material adverse effect on our business, financial condition or results of operations.

General Risks

The results of our research and development efforts are uncertain and there can be no assurance of the commercial success of our products.

We believe that we will need to incur additional research and development expenditures to continue development of our existing and proposed products as well as research and development expenditures to develop new products and services. The products and services we are developing and may develop in the future may not be technologically successful. In addition, the length of our product and service development cycle may be greater than we originally expected, and we may experience delays in product development. If our resulting products and services are not technologically successful, they may not achieve market acceptance or compete effectively with our competitors' products and services.

We were forced to curtail our research and development budget to \$0.9 million and \$1.0 million for the fiscal years ended March 31, 2023 and March 31, 2022 respectively. We can give no assurance that we will generate sufficient revenue or raise sufficient additional capital during the fiscal year ending March 31, 2023 to increase or stabilize our research and development budget, the failure to do so could result in a material adverse effect in our prospects and ability to bring new and next generation products to market.

The loss of our key executives could have a significant impact on us.

Our success depends in large part upon the abilities and continued service of our executive officers and other key employees. Our employment agreements with our executive officers are terminable by either party on short notice and could result in substantial severance obligations payable to such executives that would otherwise be necessary for ongoing operations. The loss of key employees has and may continue to result in a significant loss in the knowledge and experience that we, as an organization, possess, and could cause significant delays in, or outright failure of, the management of our supply chain, our research and development initiatives, analytical, and consulting services business and/or, our development of future products and product candidates. If we are unable to attract and retain qualified and talented senior management personnel, our business may suffer.

Our acquisition of companies or technologies could prove difficult to integrate and may disrupt our business and harm our operating results and prospects.

Potential acquisitions will likely involve risks associated with our assumption of some or all of the liabilities of an acquired company, which may be liabilities that we were or are unaware of at the time of the acquisition, potential write-offs of acquired assets and potential loss of the acquired company's key employees or customers.

We may encounter difficulties in successfully integrating our operations, technologies, services, and personnel with that of the acquired company, and our financial and management resources may be diverted from our existing operations. For instance, we diverted some resources from our existing technologies under development to focus on the InMotion robots acquired from IMT in April 2016. We have consolidated accounting, finance, and administration in Watertown, Massachusetts office. If we elect to further consolidate our facilities, we may lose key personnel unwilling to relocate to the consolidated facility, may have difficulty hiring appropriate personnel at the consolidated facility and may have difficulty providing continuity of service through the consolidation.

End-user satisfaction or performance problems with any acquired business, technology, service, or device, including the InMotion robots, could also have a material adverse effect on our reputation. Additionally, potential disputes with the seller of an acquired business or its employees, suppliers or customers and amortization expenses related to intangible assets could adversely affect our business, operating results, and financial condition. If we fail to properly evaluate and execute acquisitions, our business may be disrupted, and our operating results and prospects may be harmed.

We can give no assurance that our commercialization schedule will be met as we concentrate our efforts on capital raising.

Product defects could adversely affect the results of our operations.

The design, manufacture and marketing of our products involves certain inherent risks. Manufacturing or design defects, unanticipated use of our products, or inadequate disclosure of risks relating to the use of our products can lead to injury or other adverse events. These events could lead to recalls or safety alerts relating to our products (either voluntary or required by the FDA, Health Canada or similar governmental authorities in other countries), and could result, in certain cases, in the removal of a product from the market. A recall could result in significant costs, as well as negative publicity and damage to our reputation that could reduce demand for our products. Personal injuries relating to the use of our products could also result in product liability claims being brought against us. The Company has product liability insurance to mitigate this risk. In some circumstances, such adverse events could also cause delays in new product approvals.

We could be exposed to significant liability claims if we are unable to obtain insurance at acceptable costs and adequate levels or otherwise protect ourselves against potential product liability claims.

The testing, manufacturing, marketing, and sale of medical devices entail the inherent risk of liability claims or product recalls. The Company currently maintains product liability insurance; however, product liability insurance is expensive and may not be available on acceptable terms in the future, if at all. A successful product liability claim, or product recall could inhibit or prevent the successful commercialization of our products, cause a significant financial burden on the Company, or both, which in either case could have a material adverse effect on our business and financial condition.

Although we carry product liability insurance, there is no guarantee that our insurance will adequately cover us against potential liability. If not, the results of our operations could be materially and adversely affected. In addition, any product liability claims brought in connection with any alleged defect of our products, whether with or without merit, could increase our product liability insurance rates or prevent us from securing continuing coverage at rates we could afford.

Our operations in international markets involve inherent risks that we may not be able to control.

Our business plan includes the marketing and sale of our existing and proposed products in international markets. Accordingly, our results could be materially and adversely affected by a variety of uncontrollable and changing factors relating to international business operations, including:

- macroeconomic conditions adversely affecting geographies where we intend to do business;
- foreign currency exchange rates;
- political or social unrest or economic instability in a specific country or region;
- higher costs of doing business in foreign countries;
- infringement claims on foreign patents, copyrights, or trademark rights;
- difficulties in staffing and managing operations across disparate geographic areas;
- difficulties associated with enforcing agreements and intellectual property rights through foreign legal systems;
- trade protection measures and other regulatory requirements, which affect our ability to import or export our products from or to various countries;
- adverse tax consequences;
- unexpected changes in legal and regulatory requirements;
- military conflict, terrorist activities, natural disasters, and medical epidemics; and
- our ability to recruit and retain channel partners in foreign jurisdictions.

Any weakness in internal control over financial reporting or disclosure controls and procedures could result in a loss of investor confidence in our financial reports and lead to a stock price decline.

We are currently required to evaluate our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 and report the results in our Annual Report on Form 10-K, although these obligations are expected to cease upon our planned deregistration under the Exchange Act. There is no requirement for audit of our internal control over financial reporting. We are also required to maintain effective disclosure controls and procedures, although these obligations are expected to cease upon our planned deregistration under the Exchange Act. To the extent applicable, if material weaknesses arise and they are not remedied, we will be unable to assert that our internal controls are effective. Any failure to have effective internal control over financial reporting or disclosure controls and procedures could cause investors to lose confidence in the accuracy and completeness of our financial reports (to the extent we provide them or alternative reports), limit our ability to raise financing or lead to regulatory sanctions, if applicable, any of which could result in a material adverse effect on our business or decline in the market price of our common stock.

The industries in which we operate are highly competitive and subject to rapid technological change. If our competitors are better able to develop and market products that are safer, more effective, less costly, easier to use, or are otherwise more attractive, we may be unable to compete effectively with other companies.

The medical technology industry is characterized by intense competition and rapid technological change and we will face competition based on product features, clinical outcomes, price, services and other factors. Competitors may include large medical device and other companies, some of which have significantly greater financial and marketing resources than we do, and firms that are more specialized than we are with respect to particular markets. Our competition may respond more quickly to new or emerging technologies, undertake more extensive marketing campaigns, have greater financial, marketing, and other resources than ours or may be more successful in attracting potential customers, employees and strategic partners.

Our competitive position will depend on multiple, complex factors, including our ability to achieve market acceptance for our products, develop new products, implement production and marketing plans, secure regulatory approvals for products under development and protect our intellectual property. In some instances, competitors may also offer, or may attempt to develop, alternative therapies that may be delivered without a medical device or a medical device superior to ours. The development of new or improved products, processes or technologies by other companies may render our products or proposed products obsolete or less competitive. The entry into the market of manufacturers located in low-cost manufacturing locations may also create pricing pressure, particularly in developing markets. Our future success depends, among other things, upon our ability to compete effectively against current technology, as well as to respond effectively to technological advances, and upon our ability to successfully implement our marketing strategies and execute our research and development plan.

We do not expect to pay cash dividends on our common stock.

We anticipate that we will retain our earnings, if any, for future growth and therefore do not anticipate paying cash dividends on our common stock in the future. Investors seeking cash dividends should not invest in our common stock for that purpose.

Item 1B – Unresolved Staff Comments

None.

Item 2 – Properties

Our principal executive office is in premises of approximately 9,300 square feet of leased space at 80 Coolidge Hill Road, Watertown, Mass. 02472. We lease approximately 2,100 square feet at 290 Citrus Tower Blvd., unit 108 Clermont, FL 34711 for our Tower Physical Therapy & Rehab facility. We are also renting additional storage space. We believe these facilities are adequate for our current needs.

We do not own any real estate.

Item 3 – Legal Proceedings

From time to time, we may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm business.

We are not currently a party in any legal proceeding or governmental regulatory proceeding nor are we currently aware of any pending legal proceeding or governmental regulatory proceeding proposed to be initiated against us that would have a material adverse effect on us or our business.

Item 4 – Mine Safety Disclosures

Not applicable.

PART II**ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Market Information**

Our common stock is traded on the OTCPink tier of the OTC Marketplace under the symbol "BNKL". The following table sets forth for the periods indicated, the high and low sale prices per share of our common stock as reported on OTCPink tier marketplace.

Quarterly Period Ended	High		Low	
March 31, 2023	\$	0.85	\$	0.36
December 31, 2022	\$	2.90	\$	0.26
September 30, 2022	\$	0.90	\$	0.25
June 30, 2022	\$	1.19	\$	0.50
March 31, 2022	\$	0.90	\$	0.38
December 31, 2021	\$	2.42	\$	0.70
September 30, 2021	\$	2.86	\$	1.31
June 30, 2021	\$	3.00	\$	1.26

On June 16, 2023, the closing price per share of our common stock was \$0.51, as reported on OTCPink tier marketplace. As of June 16, 2023 12,480,431 shares of common stock were issued and outstanding, which were held by 315 holders of record and 111,392 exchangeable shares were issued and outstanding, which were held by 19 holders of record.

We have never paid or declared any cash dividends on our common stock. We intend to retain any earnings to finance the growth and development of our business. Payment of future dividends, if any, will be at the discretion of our board of directors.

We consider our common stock to be thinly traded and, accordingly, reported sales prices or quotations may not be a true market- based valuation of our common stock.

Equity Compensation Plan Information

We adopted, and a majority of our stockholders approved, the 2014 Equity Incentive Plan (the "2014 Plan"). Under such plan, we may grant equity-based incentive awards, including options, restricted stock, and other stock-based awards, to any directors, employees, advisers, and consultants that provide services to us or any of our subsidiaries on terms and conditions that are from time to time determined by us. An aggregate of up to 15% of our common stock and common stock reserved for issuance from the Exchangeable Shares are reserved for issuance under the 2014 Plan, and options for the purchase of 661,222 shares of our common stock have been granted and are outstanding as of March 31, 2023. The purpose of the 2014 Plan is to provide financial incentives for selected directors, employees, advisers, and consultants of the Company and/or its subsidiaries, thereby promoting the long-term growth and financial success of the Company.

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The table below sets forth information as of March 31, 2023 with respect to compensation plans under which our common stock or Exchangeable Shares are authorized for issuance.

	(a) Number of securities to be Issued upon exercise of outstanding options, warrants and rights	(b) Weighted- average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	661,222	\$ 2.41	224,282
Equity compensation plans not approved by security holders:			
Executive stock options	266,796	\$ 8.82	—
Total	928,018		224,282

ITEM 6 – RESERVED

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") covers information pertaining to the Company as of March 31, 2023 and 2022. Except as otherwise noted, the financial information contained in this MD&A and in the financial statements has been prepared in accordance with accounting principles generally accepted in the United States of America. All amounts are expressed in U.S. dollars unless otherwise noted.

The preparation of consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. On an on-going basis we review our estimates and assumptions. The estimates were based on historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results are likely to differ from those estimates under different assumptions or conditions, but we do not believe such differences will materially affect our financial position or results of operations.

Forward Looking Statements

Certain information contained in this MD&A includes "forward-looking statements." Statements which are not historical reflect our current expectations and projections about our future results, performance, liquidity, financial condition and results of operations, prospects and opportunities and are based upon information currently available to us and our management and their interpretation of what is believed to be significant factors affecting our existing and proposed business, including many assumptions regarding future events. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "intend," "plan," "anticipate," "believe," "estimate," "predict," "potential," "continue," or similar terms, variations of such terms or the negative of such terms. These statements are only predictions and involve known and unknown risks, uncertainties, and other factors. Although forward-looking statements, and any assumptions upon which they are based, are made in good faith, and reflect our current judgment, actual results could differ materially from those anticipated in such statements. Actual results, performance, liquidity, financial condition and results of operations, prospects and opportunities could differ materially and perhaps substantially from those expressed in, or implied by, these forward-looking statements as a result of various risks, uncertainties and other factors, including those risks described in detail in the section of this Annual Report on Form 10-K entitled "Risk Factors" as well as elsewhere in this Annual Report on Form 10-K.

In light of these risks and uncertainties, and especially given the nature of our existing and proposed business, there can be no assurance that the forward-looking statements contained in this section and elsewhere in this Annual Report on Form 10-K will in fact occur. Potential investors should not place undue reliance on any forward-looking statements. Except as expressly required by the federal securities laws, there is no undertaking to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

Company Overview

Bionik Laboratories Corp. is a robotics company providing neurological functional recovery solutions to improve the quality of life of millions of people with functional or mobility impairments by combining artificial intelligence, innovative technology and data solutions to help individuals regain mobility, enhance autonomy, and regain self-esteem.

The Company uses artificial intelligence and machine learning technologies to make rehabilitation methods and processes smarter and more intuitive to deliver greater recovery for patients with neurological or mobility impairments. These technologies allow large amounts of data to be collected and processed in real-time, enabling appropriately challenging and individualized therapy during every treatment session. This is the foundation of the InMotion therapy. The Company's rehabilitation therapy robots are built on an artificial intelligence platform, measuring the position, the speed, and the acceleration of the patients' arm 200 times per second. The artificial intelligence platform is designed to adapt in real time to the patient's needs and progress while providing quantifiable feedback of a patient's progress and performance, in a way that the Company believes a trained clinician cannot.

Based on this foundational work, the Company has a portfolio of products and solutions focused on upper extremity rehabilitation for stroke and other mobility-impaired individuals, including InMotion robots currently in the market. Additionally, our software platform, InMotion Connect, which is providing the ability for hospital management to access remotely to management dashboards presenting the utilization data of each of their InMotion robotic devices and their robotic devices productivity. Customized reporting capabilities in the platform focus on facility and organization measurement dashboards to support effective decision making for clinicians and for hospital management.

On September 7, 2022, the Company acquired Tower Aquatic, described further below, which is the first step in our planned national strategic rollout of rehabilitation clinics. The Company intends to rebrand the newly acquired physical therapy clinic as a specialized neuro-recovery center that will showcase and provide continued accessibility to Bionik's technology and solutions by providing treatment to patients with stroke, brain and spinal cord injuries. The Company plans to acquire a network of neuro recovery centers which will enable us to provide more patients with access to Bionik's InMotion systems.

Currently, we receive revenues from the sale of our InMotion robots to our customers both in the U.S. and internationally and the operation of our newly acquired rehabilitation center through insurance reimbursements and patient co-payments. We also record revenues associated with our extended warranties that customers will purchase with the sale of our InMotion robots as well as from the sale of the InMotion Connect hardware and the subscription fees associated with the utilization of the InMotion Connect Pulse solution in the U.S.

We currently sell our InMotion products directly or through distributors or can introduce customers to a third-party finance company to lease at a monthly fee over the term or other fee structure for our products to hospitals, clinics, distribution companies and/or buying groups that supply those rehabilitation facilities.

Business Developments

During 2021, we implemented a machine learning prototype predictive model for the classification of the level of responsiveness of the InMotion therapy outcomes. This solution was developed with Bitstrapped, a Toronto-based data engineering firm specializing in machine learning infrastructure through their partnership with Google Cloud Platform. This prototype enables us to continually train the model on anonymized data collected in real-time with InMotion Connect in rehabilitation facilities and track improvements in performance. During the fiscal year ended March 31, 2023, we continued to move this strategy forward by working with our team of data scientists to analyze the data we currently have and start making correlations with the intent to enhance the patient experience. This approach will continue to advance and develop as funds permit.

On July 15, 2021, we commenced a refinancing of our existing indebtedness and launched a new secured convertible promissory note offering of up to \$10.0 million. Pursuant to the terms of the offering, we were offering for sale up to \$10.0 million in convertible notes to accredited investors and non-U.S. persons. As a result, we issued an aggregate of \$8.3 million in principal of convertible notes of which an aggregate of \$5.0 million was purchased for cash and the remainder was issued as a result of consolidating existing debt. All of these convertible notes were converted on March 31, 2022, into 946,194 shares of our common stock.

Between June 9, 2022, and June 10, 2022, we issued convertible promissory notes and borrowed an aggregate of \$500,000 from an affiliate of Remi Gaston-Dreyfus, a director (\$200,000); an affiliate of André-Jacques Auberton-Hervé, the Chairman of the Board of Directors (\$100,000); and an existing investor and shareholder (\$200,000).

On September 7, 2022, the Company completed the acquisition of the assets of Dearman & Dearman PT LLC (which is doing business as Tower Aquatic & Sports Physical Therapy), a physical therapy practice, for a cash purchase price of \$215,000. In relation to such acquisition, on September 2, 2022, we issued a convertible promissory note and borrowed an aggregate of \$250,000 from an affiliate of Mr. Gaston-Dreyfus to finance the acquisition of such assets and pay related costs and expenses.

On each of November 14, 2022, December 14, 2022, and February 16, 2023 we issued a convertible promissory note in the amount of \$400,000, \$400,000 and \$500,000 respectively for an aggregate of \$1,300,000 in borrowings, from an affiliate of Remi Gaston-Dreyfus, a director.

Recent Developments

On June 9, 2023, the principal and accrued interest under the Company's outstanding convertible promissory notes (the "Outstanding Notes"), converted into an aggregate of 4,083,544 shares of the Company's common stock, in accordance with the terms of the Outstanding Notes. Of such shares, 3,102,878 were issued to an affiliate of Remi Gaston-Dreyfus, a director of the Company, 186,111 were issued to an affiliate of the Company's Chairman, Andre-Jacques Auberton-Herve, and 794,554 were issued to two existing stockholders.

On June 13, 2023, the Company launched a new private offering of its convertible promissory notes of up to \$2,000,000, with an initial subscription of \$220,000 from an affiliate of the Company's Chairman, Andre-Jacques Auberton-Herve.

On June 14, 2023, Audrey Frederique Thevenon, and on June 16, 2023, Joseph Martin, each a director of the Company, agreed to convert \$108,333 of accrued director fees due and owing to each of them, into a 10-year promissory note (each, "Director Note").

On June 16, 2023, the Company's Board of Directors and management announced the commencement of certain cost-cutting measures to maximize available resources while it seeks to raise capital through the above-referenced \$2,000,000 private offering and increase revenues. In addition to entering into the Director Notes and repaying certain accrued directors fees through the issuance of shares in lieu thereof, this may ultimately include some or all of the following:

- Concentrate its available resources on selling its InMotion devices and supporting technology to large, national accounts and through overseas distributors, while suspending sales initiatives to multiple single or smaller purchasers. The cost of sales to single and smaller purchasers is disproportionately larger than to large accounts or through distributor relationships.
- Concentrate on the growth of its, and continue acquisitions of, neuro recovery centers, as funds allow, which the Company believes can accelerate revenue growth faster than by sales of InMotion devices alone.
- Consider an amendment to the Company's current directors' compensation plan, to prevent the further accruing of director fees.
- Consider decreasing the size of the Board of Directors from its current size of seven, with voluntary resignations of one or more directors.
- Pausing the Company's investor relations and public relations strategies.

In addition, the Company:

- is in the process of significantly reducing its Watertown, Massachusetts facility space;
- has reduced employee headcount to focus on core services and support, with corresponding reduced costs;
- has approved a plan to file a Form 15 with the Securities and Exchange Commission to terminate the registration of the Company's common stock under Section 12(g) of the Securities Exchange Act of 1934 (the "Exchange Act") and to suspend its reporting obligations under Section 15(d) of the Exchange Act; and
- will continue to consider other ways to maximize shareholder value, including but not limited to sale of the Company or its assets, or restructuring or reorganization, among other alternatives.

The Company expects that the savings generated from such cost-reduction activities as are ultimately adopted, along with a projected capital raise through the above-referenced \$2,000,000 private offering, would enable the Company to continue operations through, while the Company continues to seek new sources of financings to stabilize its finances and operations.

Revenues

We generate revenues from sales of our InMotion Arm, InMotion Arm/Hand and InMotion Connect devices, as well as various parts and accessories, which we refer to collectively as our product sales. We also generate revenues from services, including product

warranty revenues, and from subscriptions sales from InMotion Connect solutions. Our business model generally does not involve separate contracts entered into at or near the same time; nor does our business model involve incremental future discounts offered to the same customer. We do not offer a right of cancellation, termination, refund or return.

Revenues from the operations of our clinic are recognized in the period in which services are rendered. Net patient revenue consists of revenue for physical therapy, pre-and post-operative care and treatment for orthopedic-related disorders, sports-related injuries, preventative care, rehabilitation of injured workers and neurological-related injuries. Net patient revenue (patient revenue less estimated contractual adjustments) is recognized at the estimated net realizable amounts from third-party payors, patients and others in exchange for services rendered when obligations under the terms of the contract are satisfied. We have an implied contract with the patient upon each patient visit. Generally, this occurs as we provide physical therapy services, as each service provided is distinct and future services rendered are not dependent on previously rendered services. We have agreements with third-party payors that provide for payments to it at amounts different from its established rates.

We recognize revenue from sales of our products, services, parts and accessories in accordance with the Accounting Standards Codification, or ASC, *Revenue Recognition Topic 606*. We recognize revenue from sales of our products, parts and accessories when title and risk of ownership has been transferred, which is upon shipment, provided there are no uncertainties regarding customer acceptance, and the below listed factors are present. We recognize net patient revenue from the operations of our clinic when we provide physical therapy services as each service provided is distinct and future services are not dependent on previously rendered services and the below listed factors are present:

- Identification of the contract with the customer;
- Identification of the performance obligation in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligation in the contract; and
- Recognition of revenue when, or as, the performance obligation is satisfied

Revenues from the sale of services and extended warranty contracts are deferred and recognized on a straight-line basis over the contract period as services are provided.

We recognize subscription revenues over the course of the period that the software subscription is available to the customer.

During the year ended March 31, 2023, we derived approximately 66% of our revenues from product sales, 14% from the subscription sales associated with our Pulse solutions and 20% of our revenues from the sale of services, extended warranties and other revenues. During the year ended March 31, 2022, we derived approximately 68% of our revenues from product sales, 17% of our revenues from the sale of services, extended warranties and other revenues and 15% from the subscription sales associated with our Pulse solutions.

Cost of Revenues

Our cost of revenues consists primarily of material, labor and manufacturing overhead expenses from our contract manufacturer and includes the cost of components and subassemblies supplied by our third-party suppliers. Cost of revenues also includes certain warranty expenses associated with maintaining our standard warranties within the first 12 months that a customer owns our product, as well as cost of revenues associated with operation of our clinic.

Sales and Marketing Expenses

Our sales and marketing expenses consist primarily of salaries, commissions and other personnel-related expenses, which may include share-based compensation, for employees engaged in sales, marketing and support of our products, trade show, promotional and public relations expenses and management and administration expenses in support of sales and marketing.

Research and Development Expenses

Our research and development expenses consist of salaries and other personnel-related expenses, which may include share-based compensation, for employees primarily engaged in research, development and engineering activities, materials used and other overhead expenses incurred in connection with the design and development of our products and, from time to time, expenses associated with collaborative research and development agreements that we may enter into. We expense all of our research and development costs as incurred.

General and Administrative Expenses

Our general and administrative costs include payroll, employee benefits, and other personnel-related costs, which include share-based compensation, associated with administrative and support staff, as well as legal and accounting costs, insurance costs, and other administrative fees.

Impairment of Goodwill & Intangible Assets

Impairment of goodwill and intangible assets consists of impairment charges associated with goodwill and intangible assets. Management assesses its goodwill and intangible assets for impairment annually or as triggering events arise.

Interest Expense, net

Interest expense, net consists primarily of interest charges on loans and convertible loan offerings that we may enter into from time to time with various lenders and shareholders.

Other Expense (Income), net

Other expense (income), net consists primarily of foreign currency remeasurement gains or losses and other miscellaneous income and expense items.

Results of Operations

Fiscal Year Ended March 31, 2023 Compared to the Fiscal Year Ended March 31, 2022

The following table contains selected statement of operations data, which serve as the basis of the discussion of our results of operations for the fiscal year ended March 31, 2023 and 2022, respectively:

	Year Ended March 31,					
	2023		2022		\$ Change	% Change
	Amount	As a % of Total Revenues	Amount	As a % of Total Revenues		
Revenues, net	\$ 1,805,202	100 %	\$ 1,273,712	100 %	\$ 531,490	42 %
Cost of revenues	815,325	45	320,545	25	494,871	154
Gross profit	989,877	55	953,258	75	36,619	4
Operating expenses						
Sales and marketing	1,981,897	110	1,920,749	151	61,148	3
Research and development	903,219	50	998,516	78	(95,297)	(10)
General and administrative	2,929,800	162	2,806,584	220	123,216	4
Impairment of goodwill & intangible assets	—	—	5,200,608	408	(5,200,608)	(100)
Total operating expenses	5,814,916	322	10,926,457	858	(5,111,541)	(47)
Loss from operations	(4,825,039)	(267)	(9,973,199)	(783)	5,148,160	(52)
Interest expense, net	107,150	6	825,209	65	(718,059)	(87)
Other expense (income), net	13,835	1	(390,414)	(31)	404,249	(104)
Total other expense	120,985	7	434,795	34	(313,810)	(72)
Net loss	\$ (4,946,024)	(274)%	\$ (10,407,994)	(817)%	\$ 5,461,970	(52)%

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Revenues

Total revenues for the year ended March 31, 2023 increased by \$0.5 million, or 42%, to \$1.8 million, as compared to revenues of \$1.2 million for the year ended March 31, 2022.

	Year Ended March 31,		\$ Change	% Change
	2023	2022		
Product	\$ 1,194,548	\$ 870,213	\$ 324,335	37 %
Subscriptions	255,000	222,250	32,750	15
Service, extended warranty & other	355,654	181,249	174,405	96
Total revenues	<u>\$ 1,805,202</u>	<u>\$ 1,273,712</u>	<u>\$ 531,490</u>	<u>42 %</u>

The change in total revenues was attributable to a number of factors:

- We sold 13 units in the year ended March 31, 2023 as compared to nine units in the year ended March 31, 2022, resulting in product revenues increasing by \$324,000, or 37%. Our average selling price per unit decreased during the 2023 period as compared to the 2022 period as we had more sales through the distributor model in the fiscal 2023 period.
- The increase in our subscription sales is due to our active subscriptions growing from 26 in the 2022 period to 29 in the 2023 period.
- Our service, extended warranty and other revenues increased approximately 96%, primarily due to revenue associated with the acquisition of our first clinic in the 2023 period.

Cost of Revenues

	Year Ended March 31,		\$ Change	% Change
	2023	2022		
Cost of revenues	\$ 815,325	\$ 320,454	\$ 494,871	154 %
Cost of revenues (as a percentage of total revenues)	45 %	23 %		

Total cost of revenues increased by 495,000, or 154%. The increase is associated with selling more InMotion units in the 2023 period as compared to the 2022 period and from costs of revenues associated with our clinic in the current period, which tends to carry lower gross margins for patient services.

Sales and Marketing

	Year Ended March 31,		\$ Change	% Change
	2023	2022		
Sales and marketing	\$ 1,981,897	\$ 1,920,749	\$ 61,148	3 %
Sales and marketing (as a percentage of total revenues)	110 %	151 %		

Sales and marketing expenses increased by \$0.1 million, or 3%, to \$2.0 million for the 2023 period, as compared to \$1.9 million for the 2022 period. In the 2023 period, our sales and marketing costs remain substantially in line with the 2022 period.

Research and Development

	Year Ended March 31,		\$ Change	% Change
	2023	2022		
Research and development	\$ 903,219	\$ 998,516	\$ (95,297)	(10)%
Research and development (as a percentage of total revenues)	50 %	78 %		

Research and development expenses decreased \$0.1 million, or 10%, to \$0.9 million for the 2023 period, as compared to \$1.0 million for the 2022 period. The decrease was due to a \$0.1 million decrease in personnel related expenses during the 2023 period.

General and Administrative

	Year Ended March 31,		\$	%
	2023	2022	Change	Change
General and administrative	\$ 2,929,800	\$ 2,806,584	\$ 123,216	4 %
General and administrative (as a percentage of total revenues)	162 %	220 %		

General and administrative expenses increased \$0.1 million, or 4%, to \$2.9 million for the 2023 period, as compared to \$2.8 million for the 2022 period. In the 2023 period, our general and administrative costs remain substantially in line with the 2022 period.

Impairment of Goodwill & Intangible Assets

	Year Ended March 31,		\$	%
	2023	2022	Change	Change
Impairment of goodwill & intangible assets	\$ —	\$ 5,200,608	\$ (5,200,608)	(100)%
Impairment of goodwill & intangible assets (as a percentage of total revenues)	0 %	408 %		

We did not incur any impairment of goodwill & intangible asset charges in the 2023 period. Due to the continued impact of the COVID-19 pandemic, we experienced a slowdown in business during the third quarter of the fiscal year ended March 31, 2022, and we determined there are events and changes in circumstances that indicate our goodwill and other intangible assets are impaired. Accordingly, during the third quarter of the fiscal year ended March 31, 2022, we evaluated the fair value of the goodwill and other intangible assets. Based on this evaluation, we determined that certain intangible assets were fully impaired and recorded an impairment charge of \$0.9 million during the year ended March 31, 2022. Further, we determined that the goodwill with the carrying value of \$4.3 million was fully impaired and recorded an impairment charge of \$4.3 million.

As noted in our significant accounting policies, we have one reporting unit and its carrying value was compared to its estimated fair value. During the third quarter of the fiscal year ended March 31, 2022, we considered various valuation approaches to estimate its fair value, including an income approach and an asset approach.

The income approach is based on the present value of future cash flows, which are derived from long term financial forecasts, and requires significant assumptions and judgement including among others, a discount rate and a terminal value. Fair values were based on expected future cash flows using Level 3 inputs under ASC 820. The cash flows are those expected to be generated by the market participants, discounted at the weighted average cost of capital. The present value of future cash flows was determined by discounting estimated future cash flows, which included long-term growth rate of 3%, at a weighted average cost of capital (discount rate) of 25%, which considered the risk of achieving the projected cash flows, including the risk applicable to the reporting unit, industry and market as a whole.

The adjusted book value method, a form of the asset approach, was used to estimate the fair value by subtracting the market value of the non-debt liabilities from the market value of the assets. Since the value indication we derived from the income approach was below the value indicated from the asset approach, the Company relied on the asset approach to determine the fair value for the goodwill and intangible asset impairment test.

Interest Expense, net

	Year Ended March 31,		\$	%
	2023	2022	Change	Change
Interest expense, net	\$ 107,150	\$ 825,209	\$ (718,059)	(87)%
Interest expense, net (as a percentage of total revenues)	6 %	65 %		

The interest expense for both periods represents the interest associated with the loans and convertible notes that the company has with certain of its shareholders. Interest expense, net decreased by \$0.7 million due to less debt outstanding in the 2023 period than in the 2022 period.

Other expense (income), net

	Year Ended March 31,		\$	%
	2023	2022	Change	Change
Other expense (income), net	\$ 13,835	\$ (390,414)	\$ 404,249	(104)%
Other expense (income), net (as a percentage of total revenues)	1 %	(31)%		

Other expense (income) for the year ending March 31, 2023 decreased by approximately \$0.4 million due primarily to the extinguishment of the PPP loan associated with the forgiveness from the federal government in the 2022 period.

Liquidity and Capital Resources

We have funded operations through the issuance of capital stock, loans, grants, and investment tax credits received from the Government of Canada. We require cash to pay our operating expenses, including research and development activities, fund working capital needs, acquire additional physical therapy practices to grow our new business model, and make capital expenditures. At March 31, 2023, our cash and cash equivalents were \$0.4 million. Our cash and cash equivalents are predominantly cash in operating accounts.

Based on our current burn rate, we need to raise additional capital in the short term to fund operations, and meet expected future liquidity requirements, or we will be required to curtail or terminate some or all of our product lines or our operations. We are continuously in discussions to raise additional capital, which may include or be a combination of convertible or term loans and equity which, if successful, will enable us to continue operations in the short or medium term; however, we cannot give any assurance at this time that we will successfully raise all or some of such capital or any other capital.

There can be no assurance that necessary debt or equity financing will be available, or will be available on terms acceptable to us, in which case we may be unable to meet our obligations or fully implement our business plan, if at all. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effects on recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

Additionally, we will need additional funds to respond to business opportunities including potential acquisitions of complementary technologies, protect our intellectual property, develop new lines of business, and enhance our operating infrastructure. While we may need to seek additional funding for any such purposes, we may not be able to obtain financing on acceptable terms, or at all. In addition, the terms of our financings may be dilutive to, or otherwise adversely affect, holders of our common stock. We will also seek additional funds through arrangements with collaborators or other third parties. We may not be able to negotiate any such arrangements on acceptable terms, if at all. If we are unable to obtain additional funding on a timely basis, we may be required to curtail or terminate some or all of our product lines or our operations.

On February 24, 2021, we entered into a Term Loan and Security Agreement where we may borrow up to \$3.0 million from lenders from time to time. We borrowed \$0.5 million on February 24, 2021 and another \$0.5 million on March 18, 2021 from existing shareholders. The loan bears interest at a fixed rate of 1% per month. The principal amount and interest on the loan will be due and payable on the earlier of (i) February 12, 2023 and (ii) the date of receipt of a minimum of \$3.0 million from a subsequent financing. As noted below, on July 15, 2021, \$1.1 million of outstanding principal and accrued unpaid interest from the term loan agreement was refinanced and consolidated by the Company.

Additionally, in May 2020 we received funding of \$0.5 million pursuant to the federal Paycheck Protection Program under the Coronavirus Aid, Relief and Economic Security Act. We applied for forgiveness and received it as of May 23, 2021 for the whole loan and interest in accordance with applicable law.

In March 2020, we received a \$2.0 million loan from an existing shareholder. As noted below, on July 15, 2021, \$2.2 million of outstanding principal and accrued unpaid interest from the shareholder loan was refinanced and consolidated by the Company.

On July 15, 2021, we commenced a refinancing of our existing indebtedness and launched a new secured convertible promissory note offering of up to \$10.0 million (the "2021 Offering"). Pursuant to the terms of the 2021 Offering, we offered for sale up to \$10.0 million in convertible promissory notes (the "2021 Notes") to accredited investors and non-U.S. persons. As a result, we issued an aggregate of \$8.3 million in principal of 2021 Notes of which an aggregate of \$5.0 million was purchased for cash and the remainder

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was issued as a result of consolidating existing debt. Under our existing term loan and security agreement as well as the existing shareholder loan as mentioned above, a portion of the outstanding principal and unpaid interest were used as consideration to acquire 2021 Notes in the 2021 Offering and, as a result and with the option exercises described below, the term loan agreement and the existing shareholder loan were deemed paid in full and terminated. Accordingly, an aggregate of \$1.1 million in outstanding principal and accrued unpaid interest under the term loan agreement was used to purchase a like amount of 2021 Notes in the 2021 Offering and an aggregate of \$2.2 million in outstanding principal and accrued and unpaid interest under the shareholder loan was used to purchase a like amount of 2021 Notes in the 2021 Offering. The remaining \$0.6 million of the outstanding principal and accrued and unpaid interest under the term loan agreement was applied towards the purchase price to exercise outstanding options of certain debtholders.

Pursuant to the terms of the 2021 Offering, we issued an aggregate of \$5.0 million in principal of additional 2021 Notes, which was purchased for cash. On March 31, 2022, the 2021 notes were converted into 946,194 shares of our common stock.

Between June 9, 2022 and June 10, 2022, we issued convertible promissory notes and borrowed an aggregate of \$500,000 from an affiliate of Remi Gaston-Dreyfus, a director of the Company (\$200,000); an affiliate of André-Jacques Auberton-Hervé, the Chairman of the Board of Directors of the Company (\$100,000); and an existing investor and shareholder of the Company (\$200,000).

On September 2, 2022, the Company borrowed \$250,000 from an affiliate of Mr. Gaston-Dreyfus,. The loan is evidenced by a secured convertible promissory note and is further subject to a related collateral pledge agreement.

The Company used the proceeds from the loan to finance the acquisition of Tower Aquatic & Sports Physical Therapy for a cash purchase price of \$215,000 and to pay related costs and expenses.

Between November 14, 2022 and February 16, 2023, we issued convertible promissory notes and borrowed an aggregate of \$1.3 million from an affiliate of Mr. Gaston-Dreyfus, which was used for working capital.

On June 13, 2023, the Company launched a new private offering of its convertible promissory notes of up to \$2,000,000, with an initial subscription of \$220,000 from an affiliate of the Company's Chairman, Andre-Jacques Auberton-Herve. As a result of the private offering, the principal and accrued interest under the Company's outstanding convertible promissory notes converted into an aggregate of 4,083,544 shares of the Company's common stock, in accordance with the terms of the outstanding notes. Of such shares, 3,102,878 were issued to an affiliate of Mr. Gaston-Dreyfus, 186,111 were issued to an affiliate of Chairman Auberton-Herve, and 794,554 were issued to two existing stockholders.

Cash Flows

Net cash used in operating activities was \$3.4 million for the year ended March 31, 2023, and resulted primarily from \$4.9 million in net loss offset by approximately \$0.5 million in depreciation and amortization, interest expense, warrant expense and stock-based compensation expense for the period. Net changes in working capital items increased cash from operating activities by approximately \$1.0 million, primarily related to an increase in accrued expenses and accounts payable and a decrease in prepaid expenses due to less prepaid inventory. Net cash used in investing activities was approximately \$0.2 million which was used primarily for the acquisition of our first rehabilitation clinic. Net cash provided by financing activities during the year ended March 31, 2023 was \$2.1 million, related to proceeds received from convertible notes.

Net cash used in operating activities was \$4.1 million for the year ended March 31, 2022, and resulted primarily from \$10.4 million in net loss offset by approximately \$1.3 million in depreciation and amortization, interest expense and stock-based compensation expense as well as a \$5.2 million in impairment of our goodwill and intangible assets for the period. Other income of \$0.5 million decreased cash from operating activities due to the extinguishment of debt related to our loan from the Paycheck Protection Program under the Coronavirus Aid, Relief and Economic Security Act. Net changes in working capital items increased cash from operating activities by approximately \$0.2 million, primarily related to a decrease in accounts receivable associated with payments collected from our customers. An increase in inventory of \$0.5 million due to completion of robots by our manufacturing partner was offset by a decrease in prepaid expenses of \$0.5 million due primarily to lower prepaid materials. Net cash used in investing activities was approximately \$0.1 million for purchases of equipment in the 2022 period. Net cash provided by financing activities during the year ended March 31, 2022 was \$5.5 million, related to proceeds received from the term loan and 2021 notes.

Off Balance Sheet Arrangements

Since inception, we have not engaged in any off balance sheet financing activities.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations set forth above are based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we evaluate our estimates and judgments, including those described below. We base our estimates on historical experience and on various assumptions that we believe to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities, and the reported amounts of revenues and expenses, that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies require significant judgment and estimates by us in the preparation of our financial statements.

Revenue Recognition

Revenue is recognized when, or as, obligations under the terms of a contract are satisfied, which occurs when control of the promised products or services is transferred to customers. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring products or services to a customer.

Product revenue is generally recognized when the customer obtains control of our product, which occurs at a point in time, and may be upon shipment or upon delivery based on the contractual shipping terms of a contract.

Service revenue is generally recognized over time as the services are rendered to the customer based on the extent of progress towards completion of the performance obligation. We recognize service revenue over the term of the service contract. Services are expected to be transferred to the customer throughout the term of the contract and we believe recognizing revenue ratably over the term of the contract best depicts the transfer of value to the customer.

Revenue from the sale of products and services are evidenced by either a contract with the customer or a valid purchase order and an invoice which includes all relevant terms of sale and shipment of product or service provided has been incurred. We perform a review of each specific customer's creditworthiness and ability to pay prior to acceptance as a customer.

Revenues from the operations of our clinic which is included in service, extended warranty and other revenues are recognized in the period in which services are rendered. Net patient revenue consists of revenue for physical therapy, pre-and post-operative care and treatment for orthopedic-related disorders, sports-related injuries, preventative care, rehabilitation of injured workers and neurological-related injuries. Net patient revenue (patient revenue less estimated contractual adjustments) is recognized at the estimated net realizable amounts from third-party payors, patients and others in exchange for services rendered when obligations under the terms of the contract are satisfied. We have an implied contract with the patient upon each patient visit. Generally, this occurs as we provide physical therapy services, as each service provided is distinct and future services rendered are not dependent on previously rendered services. We have agreements with third-party payors that provide for payments to it at amounts different from its established rates.

Allowance for doubtful accounts

We extend unsecured credit to our customers in the ordinary course of business but mitigate the associated credit risk by supplying products to customers with pre-approved capital expenditure budgets or rental credit, and by actively pursuing past due accounts. An allowance for doubtful accounts is estimated and recorded based on management's assessment of the credit history with the customer and the current relationships with them. There was no allowance for doubtful accounts needed for the periods ending March 31, 2023, and March 31, 2022.

Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is recorded at actual cost, on the first-in first-out basis. We have finished goods inventory recorded based on actual cost from our outsourced manufacturing partner and raw materials at cost in our Watertown facility.

Warranty Reserve and Deferred Warranty Revenue

We provide a one-year warranty as part of its normal sales offering. When products are sold, we provide a warranty reserve, which, based on our historical experience are sufficient to cover warranty claims. Accrued warranty reserves are included in accrued liabilities on the consolidated balance sheets and amounted to \$27,000 at March 31, 2023 and \$9,000 at March 31, 2022. We also sell extended warranties for additional periods beyond the standard warranty. Extended warranty revenue is deferred and recognized as revenue over the extended warranty period.

Foreign Currency Translation

A portion of our operations is conducted through operations in countries other than the United States. Since we conduct our business in U.S. dollars, the main exposure, if any, results from changes in the exchange rate between the Canadian dollar and the U.S. dollar. Our functional currency is the U.S. dollar. Our policy is to reduce exposure to exchange rate fluctuations by having most of our assets and liabilities, as well as most of our revenues and expenditures, in U.S. dollars, or U.S. dollar linked. We have not historically engaged in hedging activities relating to our non-U.S. dollar operations. We may incur negative foreign currency conversion charges as a result of changes in currency exchange rates.

Intangible Assets

We capitalize and include in intangible assets the costs of patents, customer relationships and trademarks acquired in a business combination or asset acquisition. Intangible assets are recorded at fair value and stated net of accumulated amortization and impairments. We amortize our intangible assets that have finite lives using either the straight-line method, based on the useful life of the asset over which it is expected to be consumed utilizing expected undiscounted future cash flows. Amortization is recorded over the estimated useful lives ranging from one to 10 years. We evaluate the realizability of our definite lived intangible assets whenever events or changes in circumstances or business conditions indicate that the carrying value of these assets may not be recoverable based on expectations of future undiscounted cash flows for each asset group. If the carrying value of an asset or asset group exceeds its undiscounted cash flows, we estimate the fair value of the assets, generally utilizing a discounted cash flow analysis based on the present value of estimated future cash flows to be generated by the assets using a risk-adjusted discount rate. To estimate the fair value of the assets, we use market participant assumptions pursuant to ASC 820, *Fair Value Measurements*. If the estimate of an intangible asset's remaining useful life is changed, we will amortize the remaining carrying value of the intangible asset prospectively over the revised useful life.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed in a business combination. We do not amortize our goodwill, but instead test for impairment at least annually and more frequently whenever events or changes in circumstances indicate that the fair value of the asset may be less than its carrying value of the asset. Our annual test for impairment occurs in our fourth quarter.

We have adopted ASU 2011-08 *Intangibles—Goodwill and Other*, an amendment to ASC 350, which updates how an entity evaluates its goodwill for impairment. The guidance provides entities an option to perform a “qualitative” assessment to determine whether further impairment testing is necessary. Under ASC Update No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* if further testing is necessary entities perform their goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge is recognized for the amount by which the carrying value exceeds the reporting unit's fair value.

We have concluded that Bionik represents one reporting unit for goodwill impairment testing and we have performed a qualitative assessment on that reporting unit. As a result of our assessment, we determined that goodwill was impaired by \$4.3 million during the year ended March 31, 2022. Goodwill was not impaired during the year ended March 31, 2023.

Stock-Based Compensation

We follow the fair value recognition provisions of ASC 718, *Stock Compensation Topic*. This guidance requires share-based payments to employees, including grants of employee stock options and restricted stock units, or RSUs, to be recognized in the statement of operations based on their fair values at the date of grant. The fair value of performance-based stock options is determined based on the fair market value of our common stock on the grant date. ASC 718 requires companies to utilize an estimated forfeiture

rate when calculating the expense for the period. Accordingly, we review our actual forfeiture rates periodically and align our stock compensation expense with the share-based payments that are vesting.

We use the Black-Scholes option pricing model to estimate the fair value of stock options. This option-pricing model requires the input of various subjective assumptions, including the option's expected life and the price volatility of the underlying stock. Our estimated expected stock price volatility is based on our own historic volatility. We believe this is more reflective and a better indicator of the expected future volatility, than using an average of a comparable market index or of a comparable company in the same industry. We granted 244,000 and 273,500 options during the years ended March 31, 2023 and 2022, respectively. Our expected term of options granted represents the weighted average period of time that options granted are expected to be outstanding giving consideration to vesting schedules and our historical exercise patterns. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The dividend yield of zero is based on the fact that we have never paid cash dividends and have no present intention to pay cash dividends.

We account for transactions in which services are received from non-employees in exchange for equity instruments based on the fair value of such services received or of the equity instruments issued, whichever is more reliably measured, in accordance with ASC 718 and the *Equity Topic*, ASC 505.

Leases

We determine if an arrangement is a lease at the inception of a contract. Right-of-use assets represent our right to use an underlying asset during the lease term and operating lease liabilities represent net present value of our obligation to make lease payments arising from the lease. Right-of-use assets and operating lease liabilities are recognized at commencement date based on the net present value of the fixed lease payments over the lease term. Our lease terms include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. As the interest rate implicit in our lease is not readily determinable, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Operating fixed lease expense is recognized on a straight-line basis over the lease term.

In accordance with ASC 842, we record on our consolidated balance sheet leases with a term greater than 12 months. We have elected, in compliance with current accounting standards, not to record leases with an initial term of 12 months or less in the consolidated balance sheet. ASC 842 requires the separation of the fixed lease components from the variable lease components. We have elected the practical expedient to account for separate lease components of a contract as a single lease cost thus causing all fixed payments to be capitalized. Non-lease and variable cost components are not included in the measurement of the right-of-use assets or operating lease liabilities.

Recent Accounting Pronouncements

Accounting Standards Update 2020-06—Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity: simplifies accounting for convertible instruments by removing major separation models required under current Generally Accepted Accounting Principles ("GAAP"). Consequently, more convertible debt instruments will be reported as a single liability instrument and more convertible preferred stock as a single equity instrument with no separate accounting for embedded conversion features. The ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, which will permit more equity contracts to qualify for it. The ASU also simplifies the diluted earnings per share (EPS) calculation in certain areas. The amendments in this Update are effective for public business entities that meet the definition of a Securities and Exchange Commission (SEC) filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company is currently evaluating the impact the adoption of ASU 2020-06 will have on the Company's consolidated financial statements and related disclosures.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

This item is not required for a smaller reporting company.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Our consolidated financial statements and corresponding notes thereto called for by this item appear at the end of this document commencing on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and the principal financial officer, we have conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and principal financial officer concluded as of the evaluation date that our disclosure controls and procedures were effective to ensure that the material information required to be included in our Securities and Exchange Commission reports is accumulated and communicated to our management, including our principal executive and financial officer, recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms relating to our company, except that we had a deficiency relating to our failure to timely file a single Form 8-K to disclose the issuance of unregistered shares equal to more than 5% of our issued and outstanding shares of common stock prior to such issuance.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for our company and its subsidiaries.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, for the Company.

Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of its management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Management recognizes that there are inherent limitations in the effectiveness of any system of internal control, and accordingly, even effective internal control can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect material misstatements. In addition, effective internal control at a point in time may become ineffective in future periods because of changes in conditions or due to deterioration in the degree of compliance with our established policies and procedures.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in there being a more than remote likelihood that a material misstatement of the annual or financial statements will not be prevented or detected.

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, management conducted an evaluation of the effectiveness of our internal control over financial reporting, as of March 31, 2023 based on the framework set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under this framework, management concluded that our internal control over financial reporting was effective as of March 31, 2023 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with U.S. GAAP.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC that permit us to provide only management's report in this annual report.

Changes in Internal Controls

There were no other changes in our internal controls over financial reporting that occurred during the period covered by this report, which have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

Not applicable.

PART III

ITEM 10. -DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers

Our executive officers and directors are as follows:

Name	Age	Position
Andre Auberton-Herve	61	Chairman of the Board
Remi Gaston -Dreyfus	67	Director
Joseph Martin	75	Director
Charles Matine	64	Director
Audrey Thevenon	45	Director
Michal Prywata	31	Director
Rich Russo Jr.	42	Chief Executive Officer, President and Director
Dan Gonsalves	40	Executive Vice President and Chief Financial Officer

Andre Auberton-Herve: Chairman of the Board. Mr. Auberton-Herve has been the Chairman of the Company's Board of Directors since January 24, 2018. Mr. Auberton-Herve brings substantial leadership experience within strategic, operational, and financial activities from past roles. Mr. Auberton-Herve is the founder of 4A Consulting & Engineering, which provides strategic advice and consulting services with respect to renewable energy and digital innovation and has served as its President and CEO since its founding in July 2015. 4A Consulting provided consulting services to the Company from February 2017 until Mr. Auberton-Herve's appointment as Chairman. Mr. Auberton-Herve co-founded Soitec SA, a publicly traded company on the Euronext Paris stock exchange which designs and manufactures innovative semiconductor materials which are used in many smartphone platforms and computing activities, where he was President and CEO from July 1992 until January 2015, then Chairman and Chairman Emeritus since September 2015. While at Soitec SA, Mr. Auberton-Herve was responsible for overseeing the strategic, operational and financial activities of the company. He built an international high-tech group in ten countries and five manufacturing facilities in Europe, Asia and the U.S. Mr. Auberton-Herve also led the company through its listing on Euronext in 1999, raising significant amounts of capital since then with some of the world's largest investment banks. He has been nominated Knight of the Legion of Honor and Knight of the Order of Merit in France. Mr. Auberton-Herve holds a Doctorate degree in Semiconductor Physics and a Master's degree in Materials Science from Ecole Centrale de Lyon in France. The Company believes that Mr. Auberton-Herve is qualified as a board member of the Company because of his substantial strategic, operational and leadership experience.

Remi Gaston-Dreyfus: Director. Mr. Gaston-Dreyfus has been a director of the Company since September 1, 2017. Since 2007, Mr. Gaston-Dreyfus has been the CEO and Founder of GDG Investissements S.A.S. in Paris, a developer of and investor in real estate assets in Paris. Prior to 2007, Mr. Gaston-Dreyfus was a shareholder, Chairman and CEO of the Photo-Journalism group A.G.I. (including Gamma Press Agency). Mr. Gaston-Dreyfus was a co-founder of a Parisian law firm in 1984 and was a French lawyer until 1992. We believe that Mr. Gaston-Dreyfus is qualified to serve as a member of the Board of Directors due to his experience as an entrepreneur and his legal training.

Joseph Martin: Director. Joseph Martin has served as a member of our board of directors since 2018 and is the chair of the Audit Committee. Mr. Martin is also the board Chairman of Azenta Life Sciences, and a board member and audit chair of Allegro Microsystems. Mr. Martin has previously served on the publicly traded company boards of Brooks Automation where he was the board Chairman, Collectors Universe where he was the chair of the Nominating and Governance Committee, Co-Chairman of Fairchild Semiconductor International, Inc. and the Vice Chairman of its board of directors, Soitec Semiconductor where he was chair of the Audit Committee, and ChipPac Ltd. where he was chair of the Audit Committee. Mr. Martin also serves on the board of trustees of Embry-Riddle Aeronautical University. Mr. Martin received a B.S. in Aeronautics in 1974 and was awarded an honorary Ph.D. in 2018, both from Embry-Riddle Aeronautical University. Mr. Martin received an M.B.A. from the University of Maine in 1976. Mr. Martin holds an Executive Masters Professional Certification from the American College of Corporate Directors, a director education and credentialing organization and he is also a member of the National Association of Corporate Directors. We believe Mr. Martin's extensive public company board experience and his business experience make him well qualified to serve as a member of our board of directors.

Charles Matine: Director. Mr. Matine serves as an Advisory Board Member of Enlaps, a start-up company providing a time-lapse solution to photographers, since February 2018. Since July 2015, Mr. Matine has served as a strategic advisor to C4 Ventures, a London-based venture fund supporting media, e-commerce and hardware startups. In April 2014, Mr. Matine founded B & Associates, a marketing and digital transformation consultancy firm, and has served as its CEO since April 2014. Prior to that, Mr. Matine served as a Business Unit Director of Apple France from July 2010 to April 2014, where he led the Education and Research business unit, and as a Senior Marketing Manager of Apple Europe from April 2006 to June 2010, where he was responsible for promoting Apple products and defining marketing, PR and branding strategies within central Europe, the Middle East and Africa. Prior to Apple, Mr. Matine worked extensively in marketing and advertising, promoting technology products and brands throughout Europe. Mr. Matine studied at Sciences Po (the Paris Institute for Political Studies, Section Public Service) and holds the IFA-Sciences Po non-executive director certificate. We believe that Mr. Matine is qualified as to serve as a member of the Board of Directors because of his experience with product marketing and go-to-market strategies.

Audrey Thévenon, Ph.D.: Director. Dr. Thévenon serves as a Senior Program Officer on the Board of Life Sciences at the National Academies of Sciences, Engineering and Medicine (“NASEM”), a private, nonprofit institution that provides high-quality, objective advice on science, engineering, and health matters. Since she joined NASEM in 2014, Dr. Thévenon has led cross-Academies initiatives and supported collaborative regional and international activities at the intersection of public health and environmental health. Her work explicitly intends to promote transdisciplinary approaches to solving multifaceted science policy issues. From February 2012 to July 2014, Dr. Thévenon was a global health Postdoctoral Fellow at the Uniformed Services University of the Health Sciences in Bethesda, MD. Dr. Thévenon has also completed a Postdoctoral Fellowship at the University of Hawaii in placental pharmacology. Dr. Thévenon has a Ph.D. in tropical medicine and an MS in Biology from Georgetown University, as well as an MS in Cell Biology & Physiology and a BS in Life Sciences and Environment from the University of Rennes 1 in France. We believe that Dr. Thévenon is qualified to serve as a member of the Board of Directors because of her experience in medicine and scientific innovation and policy.

Michal Prywata: Director. Mr. Prywata is the co-founder of our predecessor and served as our Chief Technology Officer from June 2017 to April 2021, Chief Operating Officer from April 2013 to June 2017, as a director from March 2011 to September 2018, and again since March 2019. He also provides consulting services to us since 2021. Mr. Prywata previously served as the Chief Executive Officer of our predecessor from March 2011 to April 2013. Mr. Prywata studied biomedical engineering at Ryerson University until the end of his second year, with a focus on electronics and software development for medical products. Mr. Prywata is the co-inventor of the Company’s ARKE technology platform. Mr. Prywata serves as a member of the Board of Directors due to his being a founder of the Company. We also believe that Mr. Prywata is qualified due to his experience in the medical device industry.

Rich Russo Jr: Chief Executive Officer and President. Mr. Russo Jr. has served as the Company’s Chief Executive Officer and President and member of the Board of Directors since October 2022. Prior to that he served as the Chief Financial Officer since November 2020 and the Interim Chief Executive Officer since July 2021. He has over 20 years of finance and accounting leadership experience and holds a CPA. From 2017-2020, Mr. Russo, Jr. served as Vice President of Finance and U.S. Chief Financial Officer of ICarbonX, where he was responsible for the merger of 3 companies, fundraising, and the ultimate dissolution of the U.S. companies. From 2007-2016, Mr. Russo, Jr. held various key leadership roles for NASDAQ listed companies in life sciences, pharmaceutical and medical device industries. Mr. Russo Jr. served as Corporate Controller for Pieris Pharmaceuticals, Inc., a clinical stage biotechnology company, Juniper Pharmaceuticals, a woman’s health company focused on developing therapeutics and Cynosure, a medical device company focused on aesthetic treatment systems. In each of these roles, Mr. Russo, Jr. was responsible for all finance activities and SEC reporting along including partnering closely with the business leaders to ensure effective and efficient financial procedures throughout the organization. Mr. Russo, Jr. started his career in 2005, where he served as an auditor at Pricewaterhouse Coopers in the assurance group.

Dan Gonsalves: Executive Vice President and Chief Financial Officer. Mr. Gonsalves has served as our Executive Vice President and Chief Financial Officer since October 2022. Prior to that he served as the Company’s Corporate Controller since September 2021. Mr. Gonsalves has over 15 years of finance and accounting leadership experience and is a Certified Public Accountant. From June 2017 to September 2021, he had various roles at Destination XL Group, Inc. (Nasdaq:DXLG), a publicly -traded men’s retail company including as Director of Financial Planning & Analysis (November 2018-September 2021) and as Director of Financial Accounting & Reporting (June 2017-November 2018). From February 2014 to June 2017, Mr. Gonsalves was a Senior Manager at Corporate Finance Group Inc. a finance and accounting consulting firm where he served clients throughout the medical device, pharmaceutical, technology and software industries. Mr. Gonsalves started his career in 2005, where he served as an auditor at Deloitte in the assurance group. Mr. Gonsalves is a graduate of Providence College in Providence, RI, where he graduated with a Bachelor of Science in Accounting.

There are no family relationships among any of our current or proposed officers and directors.

Involvement in Certain Legal Proceedings

To the best of our knowledge, none of our directors or executive officers has been convicted in a criminal proceeding, excluding traffic violations or similar misdemeanors, or has been a party to any judicial or administrative proceeding during the past ten years that resulted in a judgment, decree, or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws, except for matters that were dismissed without sanction or settlement. Each of our executive officers and directors has informed us that he or she, as the case may be, has not been involved in any of the events specified in clauses (1) through (8) of Regulation S-K, Item 401(f). Except as set forth in our discussion below in “Certain Relationships and Related Transactions, and Director Independence – Transactions with Related Persons,” none of our directors, director nominees, or executive officers has been involved in any transactions with us or any of our directors, executive officers, affiliates, or associates that are required to be disclosed pursuant to the rules and regulations of the Commission.

Term of Office

Directors are appointed to hold office until the next annual general meeting of stockholders or until removed from office in accordance with our bylaws. Our officers are appointed by our Board and hold office until removed by our Board.

All officers and directors listed above will remain in office until the next annual meeting of our stockholders, and until their successors have been duly elected and qualified. Our bylaws provide that officers are appointed annually by our Board and each executive officer serves at the discretion of our Board.

As a result of our recently enacted cost-cutting measures, we have been in discussions with members of our Board to voluntarily resign as directors. As of June 21, 2023, none of our directors have so resigned, but we believe such resignations could commence as early as the last week of June 2023.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act requires the Company’s officers and directors, and persons who beneficially own more than ten (10%) percent of a class of equity securities registered pursuant to Section 12 of the Exchange Act, to file reports of ownership and changes in ownership with the Securities and Exchange Commission and the principal exchange upon which such securities are traded or quoted. Reporting Persons are also required to furnish copies of such reports filed pursuant to Section 16(a) of the Exchange Act with the Company.

Based on our review of the copies of such forms received by us, and to the best of our knowledge, all executive officers, directors and greater than 10% stockholders filed the required reports in a timely manner in the fiscal year ended March 31, 2022, except for (a) Mr. Russo, who failed to timely file a Form 4 showing one transaction and (b) Mr. Gonsalves, who failed to timely file his Form 3.

Code of Business Conduct and Ethics Policy

We adopted a Code of Business Conduct and Ethics that applies to, among other persons, our principal executive officers, principal financial officer, principal accounting officer or controller, and persons performing similar functions. Our Code of Business Conduct and Ethics is available on our website www.bioniklabs.com.

Corporate Governance

The business and affairs of the Company are managed under the direction of our Board of Directors which as of June 20, 2023 is comprised of Messrs. Auberton-Herve, Gaston-Dreyfus, Martin, Russo, Matine, Prywata, and Dr. Thevenon.

There have been no changes in any state law or other procedures by which security holders may recommend nominees to our board of directors.

Committees of the Board of Directors

Presently, the Board has two standing committees — the Audit Committee and the Compensation Committee. All members of the Audit Committee and the Compensation Committee are required by the charters of the respective committees to be independent. We expect that as, if and when we deregister under the Exchange Act and one or more of our directors resign, we will no longer have any standing committees.

Audit Committee

Our Audit Committee consists of Messrs. Martin (Chairman) and Matine. Each member of the Audit Committee is independent, and the Board has determined that Messrs. Martin and Matine are all independent and Mr. Martin is an “audit committee financial expert,” as defined in SEC rules. The Audit Committee acts pursuant to a written charter which is available through our website at www.bioniklabs.com.

The primary functions of the Audit Committee are to assist the Board in overseeing (i) the effectiveness of the Company’s accounting and financial reporting processes and internal controls and the audits of the Company’s financial statements, (ii) the qualifications, independence, appointment, retention, compensation and performance of the Company’s registered public accounting firm and (iii) the performance of the Company’s internal audit department or department or person(s) having the equivalent responsibility and functions.

Compensation Committee

Our Compensation Committee consists of Mr. Martin, and Dr. Thevenon. Each of the members of the Compensation Committee is independent. The Compensation Committee acts pursuant to a written charter which is available through our website at www.bioniklabs.com.

The primary functions of the Compensation Committee are to (i) review and approve corporate goals and objectives relevant to executive compensation, (ii) determine and review the CEO’s and other executive officers’ compensation, and (iii) make recommendations to the Board concerning (a) compensation and (b) adoption of equity incentive plans.

Director Independence

We use the definition of “independence” of The NASDAQ Stock Market to make this determination. NASDAQ Listing Rule 5605(a)(2) provides that an “independent director” is a person other than an officer or employee of the company or any other individual having a relationship, which, in the opinion of the Company’s Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The NASDAQ listing rules provide that a director cannot be considered independent if:

- The director is, or at any time during the past three years was, an employee of the company;
- The director or a family member of the director accepted any compensation from the company in excess of \$120,000 during any period of twelve consecutive months within the three years preceding the independence determination (subject to certain exclusions, including, among other things, compensation for board or board committee service);
- The director or a family member of the director is, or at any time during the past three years was, an executive officer of the company;
- The director or a family member of the director is a partner in, controlling stockholder of, or an executive officer of an entity to which the company made, or from which the company received, payments in the current or any of the past three fiscal years that exceed 5% of the recipient’s consolidated gross revenue for that year or \$200,000, whichever is greater (subject to certain exclusions);
- The director or a family member of the director is employed as an executive officer of an entity where, at any time during the past three years, any of the executive officers of the company served on the compensation committee of such other entity; or

- The director or a family member of the director is a current partner of the company's outside auditor, or at any time during the past three years was a partner or employee of the company's outside auditor, and who worked on the company's audit.

Under such definitions, Messrs. Martin, Matine, Gaston-Dreyfus and Dr. Thevenon are considered independent directors.

ITEM 11 - EXECUTIVE COMPENSATION

Compensation of Executive Officers

The following table sets forth information regarding each element of compensation that was paid or awarded to our named executive officers for the periods indicated.

Name and Principal Position	Year (1)	Salary (\$)	Bonus (\$ (2)	Stock Awards (\$)	Option Awards (3) (\$)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
Rich Russo Jr. (4)	2023	293,266	37,101	—	18,000	—	13,031	361,398
CEO and President	2022	270,779	25,174	—	164,203	—	2,650	426,806
Loren Wass (5)	2023	62,500	—	—	—	—	45,237 (9)	107,737
Former Chief Commercial Officer	2022	237,904	75,000	—	112,890	—	2,500	428,294
Dan Gonsalves (6)	2023	213,654	14,250	—	18,000	—	9,225	255,129
Executive VP and CFO	2022	96,461	—	—	51,313	—	1,821	149,595

(1) "2023" represents the fiscal year ended March 31, 2023 and "2022" represents the fiscal year ended March 31, 2022.

(2) Reflects bonus amounts paid in the fiscal years ended March 31, 2023 and March 31, 2022 for bonuses earned in the fiscal years ended March 31, 2022 and March 31, 2021, respectively.

(3) For assumptions made in such valuation, see Note 9 to the Company's audited consolidated financial statements included in this Annual Report on Form 10-K, commencing on page F-22

(4) On November 30, 2020, Mr. Russo was hired as our Chief Financial Officer with a base salary of \$265,000. Effective July 14, 2021, he assumed the role of Interim Chief Executive Officer and Chief Financial Officer. Effective October 6, 2022, he was appointed Chief Executive Officer and President and as a member of the Board of Directors. At such time, Mr. Russo entered into a new employment agreement with a base salary of \$325,000.

(5) Pursuant to the separation agreement and release, dated July 18, 2022, entered into by and between the Company and Mr. Wass in connection with Mr. Wass' separation from the Company, Mr. Wass received a separation payment in the amount of \$41,667 as salary continuance, which was equal to two months of his then current base salary.

(6) On October 6, 2022 Dan Gonsalves was appointed Executive Vice President and Chief Financial Officer. At such time, he entered into an employment agreement with a base salary of \$240,000. He was previously the Company's Corporate Controller.

Outstanding Equity Awards at Fiscal Year-End

The following table presents the outstanding equity awards held by each of the named executive officers as of the end of the fiscal year ended March 31, 2023.

Name	Option Grant Date	Option Awards		Option Exercise Price	Option Expiration Date
		Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Un-Exercisable		
Rich Russo Jr.	November 30, 2020	76,902	—	\$ 1.21	November 30, 2027
	October 14, 2021	29,334 (1)	50,666 (1)	\$ 2.10	October 14, 2028
	October 6, 2022	— (2)	60,000 (2)	\$ 0.30	October 6, 2029
Dan Gonsalves	October 14, 2021	12,500 (3)	12,500 (3)	\$ 2.10	October 14, 2028
	October 6, 2022	— (2)	60,000 (2)	\$ 0.30	October 6, 2029
Loren Wass	—	—	—	—	—

- On October 14, 2021, Mr. Russo was granted 80,000 shares which vests over time and based on performance, between October 14, 2021 and October 14, 2023.
- On October 6, 2022, Mr. Russo and Mr. Gonsalves were granted 60,000 shares each which vest as follows; 20,000 on October 6, 2023, 20,000 on October 6, 2024 and 20,000 on October 6, 2025.
- The remaining shares vest as follows: 6,250 on October 14, 2024, and 6,250 on October 14, 2025.

Long-Term Incentive Plans and Awards

Since our incorporation on January 8, 2010 through March 31, 2023 we did not have any long-term incentive plans that provided compensation intended to serve as incentive for performance. No individual grants or agreements regarding future payouts under non-stock price-based plans have been made to any executive officer or any director or any employee or consultant since our inception through March 31, 2023.

Director Compensation

The following table sets forth a summary of the compensation we paid in cash or was earned by our non-employee directors for the fiscal year ended March 31, 2023.

Name	Fees Earned or Paid in Cash(1)	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Andre Auberton-Herve	\$ 180,000	—	—	—	—	—	180,000
Remi Gaston Dreyfus	\$ 50,000	—	—	—	—	—	50,000
P. Gerald Malone(2)	\$ 20,833	—	—	—	—	—	20,833
Joseph Martin	\$ 50,000	—	—	—	—	—	50,000
Michal Prywata(3)	\$ 50,000	—	—	—	—	—	50,000
Charles Matine	\$ 50,000	—	—	—	—	—	50,000
Audrey Thevenon	\$ 50,000	—	—	—	—	—	50,000

- The director fees payable in cash were recorded as an accrued liability by the Company as of March 31, 2023.
- Mr. Malone resigned on August 30, 2022 and is no longer a director.
- Does not include consulting fees paid to Mr. Prywata in the amount of \$25,000 for consulting services he provided to the Company during the fiscal year ended March 31, 2023.

Other than Mr. Auberton-Herve's annual fee as Chairman of \$180,000, our non-employee directors are entitled to receive an annual cash payment of up to \$50,000, as well as reimbursement for expenses incurred by them in connection with attending board meetings. Our directors also are eligible for stock option grants.

Employment Agreements

Rich Russo Jr.

The Company entered into an employment agreement with Mr. Russo Jr. dated November 30, 2020, and as amended on October 15, 2021 and October 6, 2022. It provides him with a base compensation of \$325,000 and an annual bonus of up to 50% of the base salary, payable based on performance in the previous fiscal year. The bonus is determined based on the achievement of the Employee's objectives that are agreed to with the board of directors for each fiscal year. Mr. Russo Jr.'s employment agreement also allowed for an option to purchase an aggregate of 76,902 shares of the Company's common stock pursuant to the Company's 2014 Equity Incentive Plan. On October 6, 2022, the Board further granted to Mr. Russo options to purchase 60,000 shares of the Company's common stock at an exercise price per share equal to the fair market value of the Company's common stock on October 6, 2022, the date of grant, and which shall vest 1/3 on each of the first three anniversaries of the grant date.

In the event of termination of employment caused by his death, his resignation without good reason, by the Company with or without cause, by Mr. Russo Jr.'s resignation with good reason, or by the Company without cause or by his resignation with good reason within six months after a change in control, Mr. Russo Jr. will be entitled to the following:

Severance Payment:	Six months of final base salary following execution by him of a release of the Company (only in the case of (i) his termination without cause, (ii) his resignation for good reason, or (iii) his termination without cause or his resignation for good reason within six months after a change in control).
Benefits:	In the case of a termination by the Company without cause, Mr. Russo Jr.'s resignation for good reason, or a termination by the Company without cause or Mr. Russo Jr.'s resignation with good reason within six months after a change in control, Mr. Russo Jr. will be entitled to receive an amount equivalent to six months of the Company's portion of medical and dental benefits if these benefits were elected.
Salary:	Base salary through the date of termination.
Accrued Bonus:	Payable only in the case of a termination by the Company without cause or Mr. Russo Jr.'s resignation with good reason within six months after a change in control.
Vacation Pay:	Accrued but unused vacation pay.

Dan Gonsalves

The Company entered into an employment agreement with Mr. Gonsalves dated October 6, 2022. It provides him with a base compensation of \$240,000 and an annual bonus of up to 30% of the base salary, payable based on performance in the previous fiscal year. The bonus is determined based on the achievement of the Employee's objectives that are agreed to with the board of directors for each fiscal year. He is also entitled to participate in the Company's equity incentive plan, and shall be granted options to purchase an aggregate of 60,000 shares of the Company's common stock, at an exercise price per share equal to the fair market value of the Company's common stock on October 6, 2022, the date of grant, and which shall vest 1/3 on each of the first three anniversaries of the grant date.

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In the event of termination of employment caused by his death, his resignation without good reason, by the Company with or without cause, by Mr. Gonsalves' resignation with good reason, or by the Company without cause or by his resignation with good reason within six months after a change in control, Mr. Gonsalves will be entitled to the following:

Severance Payment:	Six months of final base salary following execution by him of a release of the Company (only in the case of (i) his termination without cause, (ii) his resignation for good reason, or (iii) his termination without cause or his resignation for good reason within six months after a change in control).
Benefits:	In the case of a termination by the Company without cause, Mr. Gonsalves' resignation for good reason, or a termination by the Company without cause or Mr. Gonsalves' resignation with good reason within six months after a change in control, Mr. Gonsalves' will be entitled to receive an amount equivalent to six months of the Company's portion of medical and dental benefits if these benefits were elected.
Salary:	Base salary through the date of termination.
Accrued Bonus:	Payable only in the case of a termination by the Company without cause or Mr. Gonsalves' resignation with good reason within six months after a change in control.
Vacation Pay:	Accrued but unused vacation pay.

Loren W. Wass

Pursuant to the Separation Agreement and Release, dated July 18, 2022, entered into by and between the Company and Mr. Wass in connection with Mr. Wass' separation from the Company, Mr. Wass received a separation payment in the amount of \$41,667 as salary continuance, which was equal to two months of his then current base salary.

Limits on Liability and Indemnification

We provide directors and officers insurance for our current directors and officers.

Our certificate of incorporation eliminates the personal liability of our directors to the fullest extent permitted by law. The certificate of incorporation further provides that the Company will indemnify its officers and directors to the fullest extent permitted by law. We believe that this indemnification covers at least negligence on the part of the indemnified parties. Insofar as indemnification for liabilities under the Securities Act may be permitted to our directors, officers, and controlling persons under the foregoing provisions or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is therefore unenforceable.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table shows the beneficial ownership of our Common Stock as of June 16, 2023 held by (i) each person known to us to be the beneficial owner of more than five percent (5%) of our Common Stock; (ii) each director; (iii) each executive officer; and (iv) all directors and executive officers as a group, as adjusted to reflect the one-for-one hundred fifty reverse stock split.

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The number of shares beneficially owned by each person, director, director nominee, or named executive officer is determined under rules of the Securities and Exchange Commission (the “SEC”); this information is not necessarily indicative of beneficial ownership for any other purpose. Under these rules, beneficial ownership includes any shares for which the individual has sole or shared voting power or investment power and also any shares with respect to which the person has the right to acquire sole or shared voting or investment power on or before August 15, 2023 (60 days after June 16, 2023) through the conversion of shares of convertible preferred stock or the exercise of any stock option, warrant or other right. Unless we indicate otherwise, each person has sole investment and/or voting power with respect to the shares set forth in the following tables.

Name of Beneficial Owner	Shares of Common Stock Beneficially Owned (1)	% of Shares of Common Stock Beneficially Owned
Remi Gaston-Dreyfus (2)(3)	4,979,005	38.57 %
Andre Auberton-Herve (4)	1,321,379	10.23 %
Olivier Dassault	693,963	5.38 %
Celeste Management SA	1,315,605	10.19 %
SFP Capital	1,032,244	8.00 %
Rich Russo Jr. (5)	106,236	*
Michal Prywata (6)	670,924	5.20 %
Audrey Thevenon (5)	50,723	*
Charles Matine (5)	231,278	1.79 %
Joseph Martin (5)	50,723	*
Dan Gonsalves (5)	12,500	*
All directors and executive officers as a group (9 persons)	12,910,513	57.49 %

* Less than 1%

(1) Based on 12,910,513 shares outstanding at June 16, 2023. In calculating the percentage of ownership, all shares of Common Stock of which the identified person or group has the right to acquire beneficial ownership on or before August 15, 2023, are deemed to be outstanding for the purpose of computing the percentage of the shares of Common Stock owned by that person or group. These shares are not, however, deemed to be outstanding for the purpose of computing the percentage of the shares of Common Stock owned by any other person or group.

(2) Such shares include Exchangeable Shares for tax purposes. The Exchangeable Shares have the following attributes, among others:

- Be, as nearly as practicable, the economic equivalent of the Common Stock as of the consummation of the Company’s going public transaction.
- Have dividend entitlements and other attributes corresponding to the Common Stock;
- Be exchangeable, at each holder’s option, for Common Stock; and
- Upon the direction of our Board of Directors, be exchanged for Common Stock on the 10-year anniversary of the first closing of the Company’s 2015 offering, subject to applicable law, unless exchanged earlier upon the occurrence of certain events.

The holders of the Exchangeable Shares, through The Special Voting Preferred Stock, will have voting rights and other attributes corresponding to the Common Stock.

(3) Includes (i) an aggregate of 17,476 Exchangeable Shares held through Lombard International Assurance SA, (ii) 81,775 shares of our Common Stock owned by Lombard International Assurance SA, and (iii) 4,818,498 shares of our Common Stock owned by GD Holdings. Mr. Gaston-Dreyfus may be deemed to share voting and investment power over the shares beneficially owned by Lombard International Assurance SA and GD Holdings.

- (4) Includes (i) an aggregate of 42,385 options to acquire Common Stock held through 4A Consulting and Engineering, (ii) 63,881 options to acquire Common Stock which have vested (iii) 1,109,271 shares of our Common Stock owned by Star SCI, and (iv) 10,693 shares of our Common Stock owned by 4A Consulting and Engineering. Mr. Auberton-Herve may be deemed to share voting and investment power over the shares beneficially owned by Star SCI and 4A Consulting and Engineering.
- (5) Represents options to acquire shares of our Common Stock which have vested or which will vest within 60 days of June 16, 2023.
- (6) Includes 3,333 options to acquire shares of our Common Stock which have vested or which will vest within 60 days of June 16, 2023.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Procedures and Policies

We consider “related party transactions” to be transactions between our Company and (i) a director, officer, director nominee or beneficial owner of greater than five percent of our stock; (ii) the spouse, parents, children, siblings or in-laws of any person named in (i); or (iii) an entity in which one of our directors or officers is also a director or officer or has a material financial interest.

Our Board of Directors is vested with the responsibility of evaluating and approving any potential related party transaction, unless a special committee consisting solely of independent directors is appointed by the Board of Directors. We do not have any formal policies or procedures for related party transactions.

Transactions with Related Parties

Since April 1, 2021 through June 16, 2023, the following related party loans were made to the Company:

On April 24, 2021, the Company borrowed \$300,000 from an affiliate of Mr. Gaston-Dreyfus evidenced by an up to \$3 million loan agreement, and such note and interest will need to be paid back by February 12, 2023 or the date of receipt by the Company of a minimum of \$3 million in equity.

On June 18, 2021, the Company borrowed \$200,000 from an affiliate of Mr. Gaston-Dreyfus evidenced by an up to \$3 million loan agreement, and such note and interest will need to be paid back by February 12, 2023 or the date of receipt by the Company of a minimum of \$3 million in equity.

On July 15, 2021, in conjunction with the 2021 convertible promissory note offering, we consolidated the above-mentioned loan agreements from an affiliate of Mr. Gaston-Dreyfus totaling \$1.1 million in principle and accrued interest. Accordingly, an aggregate of \$0.7 million in outstanding principal and accrued unpaid interest under the above-mentioned loan agreements was used to purchase a like amount of 2021 Notes in the 2021 Offering and the remaining \$0.4 million of the outstanding principal and accrued and unpaid interest under the above mentioned loan agreements was applied towards the purchase price to exercise outstanding options whereby RGD Investissements S.A.S., an affiliate of Mr. Gaston-Dreyfus received 120,759 shares of our common stock.

On March 31, 2022 pursuant to the terms of our 2021 convertible promissory notes, we converted \$8.9 million in principal and interest into 946,194 shares of our common stock. RGD Investissements received 77,887 shares of our common stock in this transaction.

Between June 9, 2022 and June 10, 2022, we issued convertible promissory notes and borrowed an aggregate of \$500,000 from an affiliate of Mr. Gaston-Dreyfus (\$200,000); an affiliate of Mr. Auberton-Hervé (\$100,000); and an existing investor and shareholder of the Company (\$200,000).

On September 2, 2022, the Company borrowed \$250,000 from an affiliate of Mr. Gaston-Dreyfus. The loan is evidenced by a secured convertible promissory note and is further subject to a related collateral pledge agreement. The Company used the proceeds from the loan to finance the acquisition of the Tower Aquatic & Sports Physical Therapy for a cash purchase price of \$215,000 and to pay related costs and expenses.

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On November 14, 2022, we issued a convertible promissory note and borrowed \$400,000 from an affiliate of Mr. Gaston-Dreyfus.

On December 14, 2022, we issued a convertible promissory note and borrowed \$400,000 from an affiliate of Mr. Gaston-Dreyfus.

On February 16, 2023, we issued a convertible promissory note and borrowed \$500,000 from an affiliate of Mr. Gaston-Dreyfus.

Pursuant to a consulting arrangement the Company entered into with Mr. Prywata, the Company paid Mr. Prywata \$153,750 through March 31, 2023 for consulting services he provided subsequent to his termination of employment with the Company.

On June 9, 2023, the Company directed the issuance, as of May 31, 2023, of an aggregate of 1,518,725 shares of the Company's common stock, as payment in full for all accrued and unpaid directors fees and consulting fees, as the case may be, to each of Messrs. Gaston-Dreyfus, Auberton-Herve, Matine and Prywata, through May 31, 2023.

On June 13, 2023, the Company launched a new private offering of its convertible promissory notes of up to \$2,000,000, with an initial subscription of \$220,000 from an affiliate of Chairman Auberton-Herve. As a result of the private offering, the principal and accrued interest under the Company's outstanding convertible promissory notes converted into an aggregate of 4,083,544 shares of the Company's common stock, in accordance with the terms of the outstanding notes. Of such shares, 3,102,878 were issued to an affiliate of Mr. Gaston-Dreyfus, 186,111 were issued to an affiliate of Chairman Auberton-Herve, and 794,554 were issued to two existing stockholders.

On June 14, 2023, Audrey Frederique Thevenon, and on June 16, 2023, Joseph Martin, each a director of the Company, agreed to convert \$108,333 of accrued director fees due and owed to each of them, promissory note.

Other than the above transactions, there have been no related party transactions, or any other transactions or relationships required to be disclosed pursuant to Item 404 Regulation S-K. The Company is currently not a subsidiary of any company.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The Board of Directors has reviewed and discussed the audited consolidated financial statements of Bionik Laboratories Corp. for the fiscal year ended March 31, 2023, with management and have reviewed related written disclosures of MNP LLP, our independent accountants of the matters required to be discussed by SAS 114 (Codification of Statements on Auditing Standards, AU Section 380), as amended, with respect to those statements. We have reviewed the written disclosures and the letter from MNP LLP required by regulatory and professional standards and have discussed with MNP LLP its independence in connection with its audit of our most recent financial statements. Based on this review and these discussions, the Board of Directors recommends that the financial statements be included in this Form 10-K for the year ended March 31, 2023.

We have also reviewed the various fees that we paid or accrued to MNP LLP during the year ended March 31, 2023 and 2022 for services they rendered in connection with our annual audits and quarterly reviews, as well as for any other non-audit services they rendered.

The following table shows the fees for professional services rendered by MNP LLP for the audit of our financial statements for the years ended March 31, 2023 and 2022 and fees billed for other services rendered by MNP LLP during those periods:

Fee Category	2023	2022
Audit Fees	\$ 84,501	\$ 80,413
Audited related fees	85,586	83,384
Tax Fees	34,831	35,915
All Other Fees	2,544	15,826
Total Fees	\$ 207,462	\$ 215,538

Audit fees consist of fees billed for professional services rendered for the audit of our financial statements that are normally provided by the above auditors in connection with statutory and regulatory filings or engagements. Audit-related fees consist of fees billed for professional services rendered for the review of SEC filings or review in quarterly reports and services that are normally provided by the above auditors in connection with statutory and regulatory filings. Tax fees consist of fees to prepare the Company's federal and state income tax returns. Other fees relate to advisory services related research on accounting or other regulatory matters.

Pre-Approval Policies and Procedures

Our audit committee is tasked with all approvals of audit and permissible non-audit services.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements

Our financial statements as set forth in the Index to Consolidated Financial Statements attached hereto commencing on page F-1 are hereby incorporated by reference.

(b) Exhibits

The following exhibits, which are numbered in accordance with Item 601 of Regulation S-K, are filed herewith or, as noted, incorporated by reference herein.

Exhibit Number	Description of Exhibits
3.1	Amended and Restated Certificate of Incorporation dated February 10, 2015 (Incorporated by reference to the Company's Current Report on Form 8-K, filed on March 4, 2015)
3.2	Amended and Restated By-Laws (Incorporated by reference to the Company's Current Report on Form 8-K filed on March 4, 2015)
3.3	Certificate of Amendment of the Certificate of Incorporation, dated November 8, 2017 (Incorporated by reference to the Company's Current Report on Form 8-K, filed on November 8, 2017)
3.4	Certificate of Amendment of the Certificate of Incorporation, dated June 11, 2018 (Incorporated by reference to the Company's Current Report on Form 8-K filed on June 13, 2018)
3.5	Certificate of Amendment of the Certificate of Incorporation, dated October 26, 2018 (Incorporated by reference to the Company's Current Report on Form 8-K filed on October 29, 2018)
3.6	Certificate of Amendment to Amended and Restated Certificate Of Incorporation, as amended, dated October 6, 2020 (Incorporated by reference to the Company's Current Report on Form 8-K, filed on October 8, 2020)
4.1	Certificate of Designation of Preferences, Rights and Limitations of Special Voting Preferred Stock of Bionik Laboratories Corp. (Incorporated by reference to the Company's Current Report on Form 8-K, filed on March 4, 2015)
4.2	Schedule A to Articles of Amendment of Bionik Laboratories Inc., relating to the Exchangeable Shares of Bionik Laboratories Inc. (Incorporated by reference to the Company's Current Report on Form 8-K, filed on March 4, 2015)
4.3	Form of Warrant (Incorporated by reference to the Company's Annual Report on Form 10-K for the Fiscal Year ended March 31, 2017, filed with the Commission on June 29, 2017)
4.4	Form of Common Stock Purchase Warrant (Incorporated by reference to the Company's Current Report on Form 8-K, filed on September 20, 2017)
4.5	Allonge to Common Stock Purchase Warrants (Incorporated by reference to the Company's Current Report on Form 8-K, filed on April 3, 2018)
4.6	Description of the Company's Securities (Incorporated by reference to the Company's Annual Report on Form 10-K for the Fiscal Year ended March 31, 2020, filed with the Commission on June 29, 2020)
10.1	Investment Agreement, dated February 26, 2015, among Bionik Laboratories Inc., Bionik Acquisition Inc. and Bionik Laboratories Corp. (Incorporated by reference to the Company's 8-K filing on March 4, 2015)
10.2	Voting and Exchange Trust Agreement, made as of February 26, 2015, among Bionik Laboratories Corp., Bionik Laboratories, Inc. and Computershare Trust Company of Canada dated February 26, 2015 (Incorporated by reference to the Company's Current Report on Form 8-K, filed on March 4, 2015)
10.3	Support Agreement, made as of February 26, 2015, among Bionik Laboratories Inc., Bionik Acquisition Inc. and Bionik Laboratories Corp. (Incorporated by reference to the Company's Current Report on Form 8-K, filed on March 4, 2015)

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10.4	<u>Registration Rights Agreement, made as of February 26, 2015, by and between Bionik Laboratories Inc. and each of the several shareholders signatory thereto (Incorporated by reference to the Company's Current Report on Form 8-K, filed on March 4, 2015)</u>
10.5	<u>Novation Agreement, dated as of February 26, 2015, between Bionik Laboratories Corp. and Bionik Laboratories Inc. (Incorporated by reference to the Company's Current Report on Form 8-K, filed on March 4, 2015)</u>
10.6*	<u>Michal Prywata Employment Agreement (incorporated by reference to the Company's 8-K filing on March 4, 2015)</u>
10.7	<u>Bionik Laboratories Corp. f/k/a Drywave Technologies, Inc. 2014 Equity Incentive Plan (Incorporated by reference to the Company's Definitive Information Statement on Schedule 14C, filed on October 6, 2014)</u>
10.8	<u>License Agreement with The Massachusetts Institute of Technology, as amended (Incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No.: 333-207581))</u>
10.9	<u>Exclusive Patent Application and Patent License Agreement between Interactive Motion Technologies, Inc., and Hermano Igo Krebs and Caitlyn Joyce Bosecker (Incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No.: 333-207581))</u>
10.10	<u>Registration Rights Agreement dated April 21, 2016 (Incorporated by reference to the Company's Current Report on Form 8-K filed on April 26, 2016)</u>
10.11	<u>Equity Compensation Agreement between the Company and 4A Consulting and Engineering (Incorporated by reference to the Company's Current Report on Form 8-K, filed on September 11, 2017)</u>
10.12*	<u>Eric Dusseux Employment Agreement (Incorporated by reference to the Company's Current Report on Form 8-K, filed on September 11, 2017)</u>
10.13*	<u>Amendment No. 1 to Eric Dusseux Employment Agreement (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2020, filed on June 29, 2020)</u>
10.14*	<u>Equity Compensation Agreement between the Company and Eric Dusseux (Incorporated by reference to the Company's Current Report on Form 8-K filed on September 11, 2017)</u>
10.15*	<u>Form of Stock Option Agreement (Incorporated by reference to the Company's Annual Report on Form 10-K, filed on June 27, 2018)</u>
10.16	<u>Sale of Goods Agreement, dated as of December 13, 2018, by and between Bionik Inc. and CHC Management Services, LLC (Incorporated by reference to the Company's Current Report on Form 8-K, filed on December 17, 2018)</u>
10.17*	<u>Employment Agreement of Loren Wass, dated as of September 3, 2019 (Incorporated by reference to the Company's Current Report on Form 8-K, filed on September 4, 2019)</u>
10.18	<u>Form of Equity Compensation Agreement – Non-Management Director (Incorporated by reference to the Company's Quarterly Report on Form 10-Q, filed on November 14, 2019)</u>
10.19*	<u>Equity Compensation Agreement, dated October 15, 2019, with Eric Dusseux (Incorporated by reference to the Company's Quarterly Report on Form 10-Q, filed on November 14, 2019)</u>
10.20**	<u>Distribution Agreement (Incorporated by reference to the Company's Current Report on Form 8-K, filed on January 28, 2020)</u>
10.21	<u>Promissory Note dated March 23, 2020 (Incorporated by reference to the Company's Current Report on Form 8-K, filed on March 27, 2020)</u>
10.22	<u>Allonge to Convertible Promissory Note dated March 27, 2020 (Incorporated by reference to the Company's Current Report on Form 8-K, filed on March 27, 2020)</u>
10.24	<u>Form of Promissory Note (Incorporated by reference to the Company's Current Report on Form 8-K, filed on June 9, 2020)</u>
10.25	<u>Allonge to Convertible Promissory Note dated June 3, 2020 (Incorporated by reference to the Company's Current Report on Form 8-K, filed on June 9, 2020)</u>
10.26	<u>Employment Agreement with Rich Russo Jr. (Incorporated by reference to the Company's Current Report on Form 8-K, filed on November 30, 2020)</u>
10.28	<u>Allonge to Promissory Note, dated December 17, 2020 (Incorporated by reference to the Company's Current Report on Form 8-K, filed on December 18, 2020)</u>
10.29	<u>Term Loan and Security Agreement dated February 12, 2021 (Incorporated by reference to the Company's Current Report on Form 8-K, filed on February 25, 2021)</u>

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10.32	<u>Separation Agreement with Dr. Eric Dusseux, dated as of July 14, 2021 (Incorporated by reference to the Company's Quarterly Report on Form 10-Q, filed on August 12, 2021)</u>
10.33	<u>Form of Convertible Promissory Note (Incorporated by reference to the Company's Current Report on Form 8-K, filed on July 21, 2021)</u>
10.34*	<u>First Amendment to Employment Agreement with Rich Russo Jr. (Incorporated by reference to the Company's Current Report on Form 8-K, filed on October 15, 2021)</u>
10.35	<u>Form of Subscription Agreement (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on June 16, 2023)</u>
10.36	<u>Form of Convertible Promissory Note (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed on June 16, 2023)</u>
10.37	<u>Form of Promissory Note (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed on June 16, 2023)</u>
10.38	<u>Subscription Agreement dated November 14, 2022 (incorporated by reference from the Company's Current Report on Form 8-K filed with the SEC on November 17, 2022)</u>
10.39	<u>Convertible Promissory Note dated November 14, 2022 (incorporated by reference from the Company's Current Report on Form 8-K filed with the SEC on November 17, 2022)</u>
10.40	<u>Subscription Agreement dated December 14, 2022 (incorporated by reference from Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the SEC on February 8, 2023)</u>
10.41	<u>Convertible Promissory Note dated December 14, 2022 (incorporated by reference from Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed with the SEC on February 8, 2023)</u>
10.42*	<u>Amendment Agreement with Rich Russo Jr. (incorporated by reference from the Company's Current Report on Form 8-K filed with the SEC on October 13, 2022)</u>
10.43*	<u>Employment Agreement with Dan Gonsalves (incorporated by reference from the Company's Current Report on Form 8-K filed with the SEC on October 13, 2022)</u>
14.1	<u>Code of Business Conduct and Ethics (Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, filed on April 15, 2014)</u>
21.1	<u>List of Subsidiaries (Incorporated by reference to the Company's Registration Statement on Form S-1/A-3 (Registration Number 333-207581), filed with the Commission on May 13, 2016)</u>
31	<u>Certificate of Chief Executive Officer and Chief Financial Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32	<u>Certification of Chief Executive Officer and Chief Financial Officer as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (Embedded within the Inline XBRL document and included in Exhibit)

* Management contract or compensatory plan or arrangement.

** Portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K promulgated under the Securities Act of 1933, as amended.

Item 16. Form 10-K Summary

N/A

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Bionik Laboratories Corp.

By: /s/ Rich Russo Jr.

Rich Russo Jr.
Chief Executive Officer
(Principal Executive Officer)

Dated: June 21, 2023

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Rich Russo Jr.</u> Rich Russo Jr.	Chief Executive Officer (Principal Executive Officer)	June 21, 2023
<u>/s/ Dan Gonsalves</u> Dan Gonsalves	Executive Vice President & Chief Financial Officer (Principal Financial and Accounting Officer)	June 21, 2023
<u>/s/ Andre Auberton</u> Andre Auberton	Chairman of the Board	June 21, 2023
<u>/s/ Michal Prywata</u> Michal Prywata	Director	June 21, 2023
<u>/s/ Remi Gaston Dreyfus</u> Remi Gaston Dreyfus	Director	June 21, 2023
<u>/s/ Joseph Martin</u> Joseph Martin	Director	June 21, 2023
<u>/s/ Charles Matine</u> Charles Matine	Director	June 21, 2023
<u>/s/ Audrey Thevenon</u> Audrey Thevenon	Director	June 21, 2023

**BIONIK LABORATORIES CORP.
CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2023 and 2022
(Amounts expressed in US Dollars) Index**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Bionik Laboratories Corp.:

Opinion

We have audited the accompanying consolidated balance sheets of Bionik Laboratories Corp. (the “Company”), as of March 31, 2023 and 2022, and the related consolidated statements of operations, comprehensive loss, stockholders’ equity and cash flows for each of the years in the two-year period ended March 31, 2023, and the related notes (collectively referred to as the “consolidated financial statements”).

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2023 and 2022, and the results of its consolidated operations and its consolidated cash flows for each of the years in the two-year period ended March 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Material Uncertainty Related to Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has experienced losses from operations and has an accumulated deficit that raise substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter is also described in the “Critical Audit Matters” section of our report.

Basis for Opinion

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

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

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

MNP LLP

1 Adelaide Street East, Suite 1900, Toronto ON, M5C 2V9

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Critical Audit Matters

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

Going Concern

Critical Audit Matter Description

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 2 to the consolidated financial statements, the Company has experienced losses from operations and has an accumulated deficit as at March 31, 2023. The ability of the Company to continue as a going concern is dependent on raising capital to fund its operations and ultimately to attain profitable operations. Accordingly, the Company has determined that these factors raise substantial doubt about its ability to continue as a going concern. Management intends to continue to fund its business by reducing discretionary overhead costs and with debt financing, which is dependent upon many external factors and may be difficult to raise when required. However, the Company has not concluded that these plans alleviate the substantial doubt related to its ability to continue as a going concern. This matter is also described in the “Material Uncertainty Related to Going Concern” section of our report.

We identified the Company’s ability to continue as a going concern as a critical audit matter because auditing the Company’s going concern assessment is complex and involves a high degree of auditor judgment to assess the reasonableness of the cash flow forecasts, planned refinancing actions and other assumptions used in the Company’s going concern analysis. The Company’s ability to execute the planned refinancing actions are especially judgmental given that there is no assurance that financing will be available when required by the Company.

Audit Response

We responded to this matter by performing procedures over management’s assessment of the Company’s ability to continue as a going concern. Our audit work in relation to this included, but was not restricted to, the following:

- We evaluated the cash flow forecasts prepared by management and evaluated the integrity and arithmetical accuracy of the model.
- We evaluated the key assumptions pertaining to estimated cash flows from operating activities and expected cash flows from financing activities, comparing these to available market data, underlying agreements and subsequent events thereafter.
- We compared the assumptions related to revenue projections to those used in impairment assessments of non-financial assets
- We assessed the adequacy of the going concern disclosure included in Note 2 of the consolidated financial statements and considered if they are appropriate to reflect the assessments that management has performed.

We have served as the Company auditor since 2015.

Toronto, Canada
June 20, 2023

MNP LLP
Chartered Professional Accountants
Licensed Public Accountants

1 Adelaide Street East, Suite 1900, Toronto, Ontario, M5C 2V9
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MNP

Bionik Laboratories Corp.
Consolidated Balance Sheets
(Amounts expressed in US Dollars)

	March 31,	
	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 427,383	\$ 1,991,377
Accounts receivable	453,084	274,844
Prepaid expenses and other current assets	862,603	1,127,362
Inventories	1,034,488	1,191,020
Total Current assets	2,777,558	4,584,603
Equipment	187,673	91,234
Other assets	8,694	—
Operating lease right-of-use assets, non-current	254,650	—
Tradenames and Trademarks	34,000	—
Goodwill	99,552	—
Total assets	\$ 3,362,127	\$ 4,675,837
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 557,610	\$ 305,095
Accrued liabilities	1,387,150	873,030
Operating leases, current	22,067	—
Deferred revenue, current portion	342,354	313,854
Total current liabilities	2,309,181	1,491,979
Operating leases, non-current	234,448	—
Deferred revenue, net of current portion	303,292	256,646
Convertible notes	2,155,794	—
Total liabilities	5,002,715	1,748,625
Commitments and contingencies (Note 15)		
Stockholders' (Deficit) Equity		
Preferred stock, \$0.001 par value; Authorized 5,000,000, Issued none		
Special voting preferred stock, \$0.001 par value; Authorize; Issued - 1	—	—
Common stock, par value \$0.001; Authorized - 13,000,000; Issued 6,878,162 and 111,392 Exchangeable Shares (March 31, 2022 – 6,767,114 and 112,440 Exchangeable Shares)	6,989	6,879
Additional paid-in capital	98,670,953	98,294,558
Accumulated deficit	(100,348,345)	(95,402,321)
Accumulated other comprehensive income	29,815	28,096
Total stockholders'(deficit) equity	(1,640,588)	2,927,212
Total Liabilities and Stockholders' Equity	\$ 3,362,127	\$ 4,675,837

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

Bionik Laboratories Corp.**Consolidated Statements of Operations for the years ended March 31, 2023 and 2022**

(Amounts expressed in U.S. Dollars)

	Year Ended March 31,	
	2023	2022
Revenues, net	\$ 1,805,202	\$ 1,273,712
Cost of revenues	815,325	320,454
Gross profit	989,877	953,258
Operating expenses		
Sales and marketing	1,981,897	1,920,749
Research and development	903,219	998,516
General and administrative	2,929,800	2,806,584
Impairment of goodwill & intangible assets	—	5,200,608
Total operating expenses	5,814,916	10,926,457
Loss from operations	(4,825,039)	(9,973,199)
Interest expense, net	107,150	825,209
Other expense (income), net	13,835	(390,414)
Total other expense	120,985	434,795
Net loss	\$ (4,946,024)	\$ (10,407,994)
Loss per share - basic and diluted	\$ (0.72)	\$ (1.78)
Weighted average number of shares outstanding – basic and diluted	6,903,664	5,844,006

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

Bionik Laboratories Corp.

Consolidated Statements of Comprehensive Loss for the years ended March 31, 2023 and 2022

(Amounts expressed in U.S. Dollars)

	Year Ended March 31,	
	2023	2022
Net loss	\$ (4,946,024)	\$ (10,407,994)
Other comprehensive loss components:		
Cumulative translation adjustment	1,719	(14,053)
Total other comprehensive loss	1,719	(14,053)
Comprehensive loss	\$ (4,944,305)	\$ (10,422,047)

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

Bionik Laboratories Corp.
Consolidated Statements of Changes in Stockholders' Equity for the years ended March 31, 2023 and March 31, 2022

(Amounts expressed in U.S. Dollars)

	Special Voting		Common Shares		Additional	Accumulated	Accumulated	Total
	Shares	Total	Amount	Shares	Paid-In	Deficit	Other	Stockholder's
		\$		\$	Capital	\$	Comprehensive	Equity
					\$		Income	\$
Balance, March 31, 2021	1	—	5,701,815	5,702	88,227,506	(84,994,327)	42,149	3,281,030
Share compensation expense (Note 11)	—	—	—	—	384,365	—	—	384,365
Conversion of 2020 notes	—	—	1,408	1	(924)	—	—	(923)
Conversion of 2021 notes	—	—	946,194	946	8,987,888	—	—	8,988,834
Shares issued in lieu of services	—	—	50,000	50	53,750	—	—	53,800
Options exercised in conjunction with 2021 notes	—	—	180,137	180	641,973	—	—	642,153
Foreign Currency translation	—	—	—	—	—	—	(14,053)	(14,053)
Net loss	—	—	—	—	—	(10,407,994)	—	(10,407,994)
Balance March 31, 2022	1	—	6,879,554	6,879	98,294,558	(95,402,321)	28,096	2,927,212
Share compensation expense (Note 11)	—	—	—	—	308,305	—	—	308,305
Shares issued in lieu of services	—	—	110,000	110	68,090	—	—	68,200
Foreign Currency translation	—	—	—	—	—	—	1,719	1,719
Net loss	—	—	—	—	—	(4,946,024)	—	(4,946,024)
Balance, March 31, 2023	1	—	6,989,554	6,989	98,670,953	(100,348,345)	29,815	(1,640,588)

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

Bionik Laboratories Corp.
Consolidated Statements of Cash Flows
For the years ended March 31, 2023 and 2022
(Amounts expressed in U.S. Dollars)

	Year Ended March 31,	
	2023	2022
Operating activities:		
Net loss	\$ (4,946,024)	\$ (10,407,994)
Reconciliation of net loss to net cash from operating activities:		
Depreciation and amortization	63,167	102,623
Interest expense	105,794	822,568
Issuance of common shares in lieu of services	68,200	53,800
Extinguishment of debt	—	(459,912)
Impairment of goodwill & intangible assets	—	5,200,608
Write-off of demonstration equipment	—	16,248
Share-based compensation expense	308,305	384,365
Changes in non-cash working capital items		
Accounts receivable	(178,240)	177,062
Prepaid expenses and other current assets	263,953	553,266
Operating leases, net	1,863	—
Inventories	78,373	(543,957)
Accounts payable	262,238	(148,960)
Accrued liabilities	509,912	104,495
Deferred revenue	75,145	(1,499)
Net cash used in operating activities	(3,387,314)	(4,147,287)
Investing activities		
Acquisition	(215,000)	—
Purchases of equipment	—	(12,500)
Other non-current assets	(8,694)	—
Net cash used in investing activities	(223,694)	(12,500)
Financing activities		
Proceeds from convertible loans	2,050,000	5,550,000
Net cash provided by financing activities	2,050,000	5,550,000
Foreign exchange impact	(2,986)	(7,184)
Net (decrease)/increase in cash and cash equivalents	(1,563,994)	1,383,029
Cash and cash equivalents, beginning of the period	1,991,377	608,348
Cash and cash equivalents, end of the period	\$ 427,383	\$ 1,991,377
Supplemental noncash investing & financing activities:		
Subsidiary purchase of fixed asset	\$ 50,185	\$ —
Conversion of term loans into options exercises	\$ —	\$ 642,153
Transfer of demonstration equipment from inventory to fixed assets	\$ —	\$ 42,768
Conversion of promissory notes into common stock	\$ —	\$ 8,988,011

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

BIONIK LABORATORIES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended March 31, 2023 and 2022
(Amounts expressed in U.S. Dollars)

1. Nature of the Business

Bionik Laboratories Corp. (“Bionik” or the “Company”) is a robotics company providing neurological functional recovery solutions to improve the quality of life of millions of people with functional or mobility impairments by combining artificial intelligence, innovative technology and data solutions to help individuals regain mobility, enhance autonomy, and regain self-esteem.

The Company uses artificial intelligence and machine learning technologies to make rehabilitation methods and processes smarter and more intuitive to deliver greater recovery for patients with neurological or mobility impairments. These technologies allow large amounts of data to be collected and processed in real-time, enabling appropriately challenging and individualized therapy during every treatment session. This is the foundation of the InMotion® therapy. The Company’s rehabilitation therapy robots are built on an artificial intelligence platform, measuring the position, the speed and the acceleration of the patient 200 times per second. The artificial intelligence platform is designed to adapt in real time to the patient’s needs and progress while providing quantifiable feedback of a patient’s progress and performance, in a way that the Company believes a trained clinician cannot.

Based on this foundational work, the Company has a portfolio of products and solutions focused on upper extremity rehabilitation for stroke and other mobility-impaired individuals, including InMotion robots currently in the market. Additionally, the Company’s software platform, InMotion Connect, which is providing the ability for hospital management to access remotely to management dashboards presenting the utilization data of each of their InMotion robotic devices and their robotic devices productivity. Customized reporting capabilities in the platform focus on facility and organization measurement dashboards to support effective decision making for clinicians and for hospital management.

On September 7, 2022, the Company acquired Tower Aquatic, described further below, which is the first step in the Company’s planned national strategic rollout of rehabilitation clinics. The Company intends to rebrand the newly acquired physical therapy clinic as a specialized neuro-recovery center that will showcase and provide continued accessibility to Bionik’s technology and solutions by providing treatment to patients with stroke, brain and spinal cord injuries. The Company plans to acquire a network of neuro recovery centers to provide more patients with access to Bionik’s InMotion systems.

Currently, the Company receives revenues (a) from the sale of its InMotion robots to customers both in the U.S. and internationally, (b) from the operation of its newly acquired rehabilitation center through insurance reimbursements and patient co-payments, (c) associated with its extended warranties that customers purchase with the sale of InMotion robots as well as from the sale of the InMotion Connect hardware and (d) from the subscription fees associated with the utilization of the InMotion Connect Pulse solution in the U.S.

The Company’s principal executive offices are located at 80 Coolidge Hill Road, Watertown, MA 02472

2. Summary of Significant Account Policies and Basis of Presentation

Significant accounting policies followed in the preparation of these consolidated financial statements are as follows:

Management Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures at the date of the financial statements during the reporting period. Significant estimates are used for, but are not limited to, revenue recognition, allowance for doubtful accounts, inventory reserves, impairment analysis of goodwill and intangibles including their useful lives, research and development accruals, deferred tax assets, liabilities and valuation allowances, and fair value of stock options. The Company assessed certain accounting matters that generally require consideration of forecasted financial information in context with the information reasonably available to the Company as of March 31, 2023 and through the date of this report filing. On an ongoing basis, management evaluates its estimates and actual results could differ from those estimates.

All adjustments, consisting only of normal recurring items, considered necessary for fair presentation have been included in these consolidated financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries; Bionik Inc., Bionik Laboratories Inc., Bionik Acquisition Corp., Tower Aquatic LLC and Bionik Management Company LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

Going Concern

At March 31, 2023, cash and cash equivalents were \$0.4 million. At March 31, 2023, the Company had a working capital surplus of \$0.5 million and at March 31, 2022, the Company had a working capital surplus of \$3.1 million. At March 31, 2023 and 2022, the Company has accumulated deficits of \$100.3 million and \$95.4 million. The Company has incurred a net loss and comprehensive loss for the year ended March 31, 2023 and 2022 of \$4.9 million and \$10.4 million, respectively.

The Company's future funding requirements depend on a number of factors, including the rate of market acceptance of its current and future products and the resources the Company devotes to developing and supporting the same. There is no certainty that the Company will be successful in generating sufficient cash flow from operations or achieving and maintaining profitable operations in the future to enable it to meet its obligations as they come due and consequently continue as a going concern.

The Company will require additional financing to fund its operations and it is currently working on securing this funding through corporate collaborations, public or private equity offerings or debt financings. Sales of additional equity securities by the Company would result in the dilution of the interests of existing stockholders. There can be no assurance that financing will be available when required. In the event that the necessary additional financing is not obtained, the Company would reduce its discretionary overhead costs substantially or otherwise curtail operations. The Company is continuing its efforts to raise additional funds to meet the Company's anticipated cash requirements for the next 12 months; however, these conditions raise substantial doubt about the Company's ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effects on recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

Fair Value of Financial Instruments

ASC Topic 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Included in the ASC Topic 820 framework is a three level valuation inputs hierarchy with Level 1 being inputs and transactions that can be effectively fully observed by market participants spanning to Level 3 where estimates are unobservable by market participants outside of the Company and must be estimated using assumptions developed by the Company. The Company discloses the lowest level input significant to each category of asset or liability valued within the scope of ASC Topic 820 and the valuation method as exchange, income or use. The Company uses inputs, which are as observable as possible, and the methods most applicable to the specific situation of each company or valued item.

The carrying amounts reported in the balance sheets for cash and cash equivalents, accounts receivable, other receivables, accounts payable, accrued liabilities, and convertible loans approximate fair value because of the short period of time between the origination of such instruments, their expected realization and their current market rates of interest. Per ASC Topic 820 framework these are considered Level 2 inputs where inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

The Company's policy is to recognize transfers into and out of Level 3 as of the date of the event or change in the circumstances that caused the transfer. There were no such transfers during the year.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original terms to maturity of 90 days or less at the date of purchase. For all periods presented cash and cash equivalents consisted entirely of cash on deposit with Canadian and US banks.

Allowance for doubtful accounts

The Company extends unsecured credit to its customers in the ordinary course of business but mitigates the associated credit risk by supplying products to customers with pre-approved capital expenditure budgets or rental credit, and by actively pursuing past due accounts. An allowance for doubtful accounts is estimated and recorded based on management's assessment of the credit history with the customer and the current relationships with them. As of each of the balance sheet dates presented, no allowance for doubtful accounts was required.

Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is recorded at actual cost, on the first-in first-out basis. The Company has finished goods inventory recoded based on actual cost from outsourced manufacturing partner and raw materials at cost.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the respective lease term. Included in property and equipment are certain robots that are used for demonstration purposes. Maintenance and repairs are charged to expense as incurred.

Bionik continually evaluates whether events or circumstances have occurred that indicate that the estimated remaining useful life of its long-lived assets may warrant revision or that the carrying value of these assets may be impaired. Bionik evaluates the realizability of its long-lived assets based on profitability and cash flow expectations for the related asset. Any write-downs are treated as permanent reductions in the carrying amount of the assets. Based on this evaluation, Bionik believes that, as of each of the balance sheet dates presented, none of Bionik's long-lived assets were impaired.

The useful lives for property and equipment is as follows:

	Useful Life (in years)
Computers and electronics	3
Furniture and fixtures	5
Demonstration equipment	3
Manufacturing equipment	5
Tools and parts	3
Leasehold improvements	Estimated useful life

Included in property and equipment are certain of the Company's product that are used for demonstration purposes. Maintenance and repairs are charged to expense as incurred. Bionik continually evaluates whether events or circumstances have occurred that indicate that the estimated remaining useful life of its long-lived assets may warrant revision or that the carrying value of these assets may be impaired. Bionik evaluates the realizability of its long-lived assets based on profitability and cash flow expectations for the related asset. Any write-downs are treated as permanent reductions in the carrying amount of the assets. Based on this evaluation, Bionik believes that, as of each of the balance sheet dates presented, none of Bionik's long-lived assets were impaired.

Segment Reporting

ASC 280-10, "Disclosures about Segments of an Enterprise and Related Information", establishes standards for the way that public business enterprises report information about operating segments in the Company's consolidated financial statements. Operating segment are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company has two operating segments: its rehabilitation products and services business and its rehabilitation clinics. Due to the immateriality of the rehabilitation clinic's revenues, profits and assets its operating results have been aggregated with the rehabilitation products and services business for all periods.

Intangible Assets

Bionik capitalizes and includes in intangible assets the costs of patents, customer relationships and trademarks acquired in a business combination or asset acquisition. Intangible assets are recorded at fair value and stated net of accumulated amortization and impairments. Bionik amortizes its intangible assets that have finite lives using the straight-line method, based on the useful life of the asset over which it is expected to be consumed utilizing expected undiscounted future cash flows. Amortization is recorded over the estimated useful lives ranging from one to 10 years. Bionik evaluates the realizability of its definite lived intangible assets whenever events or changes in circumstances or business conditions indicate that the carrying value of these assets may not be recoverable based on expectations of future undiscounted cash flows for each asset group. If the carrying value of an asset or asset group exceeds its undiscounted cash flows, Bionik estimates the fair value of the assets, generally utilizing a discounted cash flow analysis based on the present value of estimated future cash flows to be generated by the assets using a risk-adjusted discount rate. To estimate the fair value of the assets, Bionik uses an income approach pursuant to ASC 820, *Fair Value Measurements*. If the estimate of an intangible asset's remaining useful life is changed, Bionik will amortize the remaining carrying value of the intangible asset prospectively over the revised useful life.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed in a business combination. Bionik does not amortize its goodwill, but instead tests for impairment at least annually and more frequently whenever events or changes in circumstances indicate that the fair value of the asset may be less than its carrying value of the asset. Bionik's annual test for impairment occurs in the fourth quarter.

We have adopted ASU 2011-08 *Intangibles—Goodwill and Other*, an amendment to ASC 350, which updates how an entity evaluates its goodwill for impairment. The guidance provides entities an option to perform a "qualitative" assessment to determine whether further impairment testing is necessary. Under ASC Update No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* if further testing is necessary entities perform their goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge is recognized for the amount by which the carrying value exceeds the reporting unit's fair value.

Revenue Recognition and Deferred Revenue

Bionik generates revenues primarily from the sales of its rehabilitation robots as well as its InMotion Connect hardware, which Bionik refers to collectively as its product sales. Bionik also generates revenues from sales of services and extended warranties as well as software subscription sales. Bionik does not offer a right of cancellation, termination, refund or return. Lastly, Bionik generates net patient revenues from rehabilitation clinics for orthopedic related disorders, sports-related injuries, preventative care, rehabilitation of injured workers and neurological-related injuries.

The Company determines revenue through the following steps: a) identification of the contract with the customer; b) identification of the performance obligations in the contract; c) determination of the transaction price; d) allocation of the transaction price for the performance obligations in the contract; and e) recognition of revenue when or as the Company satisfies a performance obligation. Revenue is recognized when control of a product is transferred to a customer. Revenue is measured based on the consideration specified in the contract with the customer, net of returns and discounts. Contract liabilities are recorded when cash payments are received or due in advance of the Company's performance. The Company defers revenue from extended warranty sales and recognizes them over the period of extended warranty and from training services when the training is provided.

Product revenue is generally evidenced by either a contract with a customer or a valid purchase order which includes all relevant terms of sale and shipment of product or service provided has been incurred. Product revenue is recognized when the customer obtains control of Bionik's product, which occurs at a point in time, and may be upon shipment or upon delivery based on the contractual shipping terms of a contract.

Service revenue is generally recognized over time as the services are rendered to the customer based on the extent of progress towards completion of the performance obligation. The Company recognizes service revenues over the term of the service contract. Services are expected to be transferred to the customer throughout the term of the contract and we believe recognizing revenue ratably over the term of the contract best depicts the transfer of value to the customer.

Net patient revenue consists of revenue for physical therapy, pre-and post-operative care and treatment for orthopedic-related disorders, sports-related injuries, preventative care, rehabilitation of injured workers and neurological-related injuries. Net patient revenue (patient revenue less estimated contractual adjustments) is recognized at the estimated net realizable amounts from third-party payors, patients and others in exchange for services rendered when obligations under the terms of the contract are satisfied. There is an implied contract between the Company (or its applicable subsidiary) and the patient upon each patient visit. Generally, this occurs as the Company (or its applicable subsidiary) provides physical therapy services, as each service provided is distinct and future services rendered are not dependent on previously rendered services. The Company (or its applicable subsidiary) has agreements with third-party payors that provide for payments to it at amounts different from its established rates.

Warranty Reserve

The Company provides a one-year warranty as part of its normal sales offering. When products are sold, the Company provides warranty reserves, which, based on the historical experience of the Company are sufficient to cover warranty claims. Accrued warranty reserves are included in accrued liabilities on the consolidated balance sheets and amounted to \$27,000, at March 31, 2023 and \$9,000 at March 31, 2022.

Research and Development

Research and development costs consist of salaries and other personnel-related expenses, for employees primarily engaged in research, development and engineering activities and materials used and other overhead expenses incurred in connection with the design and development of Bionik's products and from time to time expenses associated with collaborative research agreements that the Company may enter into. These costs are expensed as incurred.

Foreign Currency Translation

A portion of our operations is conducted through operations in countries other than the United States. Since we conduct our business in U.S. dollars, the main exposure, if any, results from changes in the exchange rate between the Canadian dollar and the U.S. dollar. Our functional currency is the U.S. dollar. Our policy is to reduce exposure to exchange rate fluctuations by having most of our assets and liabilities, as well as most of our revenues and expenditures, in U.S. dollars, or U.S. dollar linked. We have not historically engaged in hedging activities relating to our non-U.S. dollar operations. We may incur negative foreign currency conversion charges as a result of changes in currency exchange rates.

Share-based compensation

Bionik follows the fair value recognition provisions of ASC 718, *Stock Compensation Topic*. This guidance requires share-based payments to employees, including grants of employee stock options and restricted stock units ("RSUs"), to be recognized in the statements of operations based on their fair values at the date of grant. The fair value of performance-based stock options is determined based on the fair market value of Bionik's common stock on the grant dates. Bionik expenses the fair value of share-based payments over the service period. ASC 718 requires companies to utilize an estimated forfeiture rate when calculating the expense for the period. Accordingly, Bionik reviews its actual forfeiture rates and periodically aligns its stock compensation expense with the share-based payments that are vesting. Bionik recorded stock-based compensation expense of \$0.3 million and \$0.4 million for the years ended March 31, 2023 and 2022, respectively.

As of March 31, 2023, the total unrecognized compensation cost related to outstanding stock options expected to vest was \$0.2 million, which the Company expects to recognize over a weighted-average period of 1.8 years.

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Bionik granted 244,000 stock options during the year ended March 31, 2023. Bionik granted 233,500 stock options during the year ended March 31, 2022. Bionik uses the Black-Scholes option pricing model to determine the fair value of options. The fair value of the options granted during the years ended March 31, 2023 and 2022 was \$0.30 and \$2.05, respectively. During the year ended March 31, 2022, 40,000 performance-based stock options were granted with a grant date fair value of \$2.05. There were no performance-based options granted during the year ended March 31, 2023. All grants awarded during the periods presented used the following assumptions:

	Year Ended March 31,	
	2023	2022
Risk free interest rate	3.95 %	1.34 %
Expected term	7 years	7 years
Dividend yield	—	—
Expected volatility	197 %	174 %
Forfeiture rate	0 %	0 %

Option-pricing models require the input of various subjective assumptions, including the option's expected life and the price volatility of the underlying stock. Bionik's estimated expected stock price volatility is based on past grants that have been made. Bionik's expected term of options granted during the year ended March 31, 2023 and 2022 was derived from looking at the Company's exercise history of its awards granted. The risk-free rate for the expected term of the options is based on the U.S. Treasury yield curve in effect at the time of the grant.

Bionik granted performance-based stock options in October 2021 to its Chief Executive Officer that vest annually over a three-year period based on the achievement of performance goals (determined by the compensation committee of the board of directors in its sole discretion) and continued performance of services. The performance-based stock options vest annually on March 31st if various performance metrics are met. The final vesting tranche will vest on March 31st, 2024. Bionik recognizes compensation expense for performance goals when the probability of achieving such goals is considered probable and is recognizing related compensation expense over the period from the date of grant through the expected vest dates. The Chief Executive Officer is eligible to receive between zero and 100% of the target number of shares of Bionik's common stock at the end of the one, two and three-year periods, provided that the performance goals have been achieved and the recipient has continued performing services for Bionik. Fair value of the performance-based stock options is determined based on the fair market value of Bionik's common stock at grant date. Bionik reevaluates at each reporting period whether the performance goals are probable of achievement and, if at any point in time, Bionik believes that achieving a performance goal is not probable, it will stop recognizing the related compensation expense and will adjust the previously recognized compensation expense prospectively.

Income Taxes

Income taxes are computed in accordance with the provisions of ASC Topic 740, which requires, among other things, a liability approach to calculating deferred income taxes. The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been recognized in its consolidated financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement carrying amounts and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. The Company is required to make certain estimates and judgments about the application of tax law, the expected resolution of uncertain tax positions and other matters. In the event that uncertain tax positions are resolved for amounts different than the Company's estimates, or the related statutes of limitations expire without the assessment of additional income taxes, the Company will be required to adjust the amounts of related assets and liabilities in the period in which such events occur. Such adjustment may have a material impact on the Company's income tax provision and results of operations.

Leases

The Company determines if an arrangement is a lease at the inception of a contract. Right-of-use assets represent the Company's right to use an underlying asset during the lease term and operating lease liabilities represent net present value of the Company's obligation to make lease payments arising from the lease. Right-of-use assets and operating lease liabilities are recognized at commencement date based on the net present value of the fixed lease payments over the lease term. The Company's lease terms include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. As the interest rate implicit in the Company's lease is not readily determinable, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Operating fixed lease expense is recognized on a straight-line basis over the lease term.

In accordance with ASC 842, the Company records on its consolidated balance sheet leases with a term greater than 12 months. The Company has elected, in compliance with current accounting standards, not to record leases with an initial term of 12 months or less in the consolidated balance sheet. ASC 842 requires the separation of the fixed lease components from the variable lease components. The Company has elected the practical expedient to account for separate lease components of a contract as a single lease cost thus causing all fixed payments to be capitalized. Non-lease and variable cost components are not included in the measurement of the right-of-use assets or operating lease liabilities.

Net Loss Per Share

Basic and diluted loss per share has been determined by dividing the net loss available to shareholders for the applicable period by the basic and diluted weighted average number of shares outstanding, respectively. The diluted weighted average number of shares outstanding is calculated as if all dilutive options had been exercised or vested at the later of the beginning of the reporting period or date of grant, using the treasury stock method.

Loss per common share is computed by dividing the net loss by the weighted average number of shares of common shares outstanding during the period. Common share equivalents, options and warrants were excluded from the computation of diluted loss per share because their effect was anti-dilutive.

Recent Accounting Pronouncements

Accounting Standards Update 2020-06—Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity: simplifies accounting for convertible instruments by removing major separation models required under current Generally Accepted Accounting Principles ("GAAP"). Consequently, more convertible debt instruments will be reported as a single liability instrument and more convertible preferred stock as a single equity instrument with no separate accounting for embedded conversion features. The ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, which will permit more equity contracts to qualify for it. The ASU also simplifies the diluted earnings per share (EPS) calculation in certain areas. The amendments in this Update are effective for public business entities that meet the definition of a Securities and Exchange Commission (SEC) filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company is currently evaluating the impact the adoption of ASU 2020-06 will have on the Company's consolidated financial statements and related disclosures.

3. Business Combination

On September 7, 2022, the Company completed the acquisition of the assets of Dearman & Dearman PT LLC ("Dearman LLC"), a physical therapy practice, for a cash purchase price of \$215,000. The Company is rebranding the physical therapy clinic ("Tower Aquatic") as a specialized neuro-recovery center to showcase Bionik's technology and solutions by providing treatment to patients with stroke, brain and spinal cord injuries, among its current service offerings.

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The acquisition qualified for purchase accounting treatment under Accounting Standards Codification (“ASC”) Topic 805, Business Combinations, whereby the purchase price was provisionally allocated to the assets acquired and liabilities assumed based upon their estimated fair values on the acquisition date of September 7, 2022:

	Tower Aquatic Acquisition
Total consideration paid	\$ 215,000
Estimated fair value of assets acquired:	
Property and Equipment	79,448
ROU Asset	267,429
Lease Liability	(267,429)
Tradename and Trademarks, net	36,000
Goodwill	99,552
	<u>\$ 215,000</u>

The Company incurred \$52,000 of acquisition-related costs to complete the transaction including legal, valuation and closing fees. These expenses are included in the Consolidated Statements of Operations for the year ended March 31, 2023 as general and administrative operating expenses. The Relief from Royalty Method was relied upon to value the Trade Names and Trademarks. Under this method the Company calculated the present value of cash flows through fiscal 2037 utilizing a royalty rate of 3%. Because of the licensing appeal of this asset, the benefit of ownership as the “relief” from the royalty expense was estimated, that would be incurred in the absence of ownership. Unaudited pro forma consolidated financial information for the acquisition have not been included as this acquisition is not significant.

4. Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed in a business combination. The Company does not amortize its goodwill, but instead tests for impairment annually in the fourth quarter and more frequently whenever events or changes in circumstances indicate that fair value of the asset may be less than the carrying value of the asset.

As part of the impairment analysis, we are first required to assess qualitatively if we can conclude whether goodwill is more likely than not impaired. If goodwill is more likely than not impaired, we are then required to complete a quantitative analysis of whether a reporting unit’s fair value is less than its carrying amount. In evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we consider relevant events or circumstances that affect the fair value or carrying amount of a reporting unit.

The evaluation of goodwill for the year ended March 31, 2023 did not result in any goodwill amounts that were deemed impaired.

Due to the continued impact of the COVID-19 pandemic, the Company experienced a slowdown in business during the third quarter of the year ended March 31, 2022, and management determined there are events and changes in circumstances that indicate the goodwill and other intangible assets are impaired. Accordingly, during the third quarter of the year ended March 31, 2022, the Company evaluated the ongoing value of the goodwill and other intangible assets. Based on this evaluation, the Company determined that certain intangible assets were no longer recoverable and were in fact impaired and recorded an impairment charge of \$0.9 million in the year ended March 31, 2022. Further, the Company determined that the goodwill with the carrying value of \$4.3 million was fully impaired and recorded an impairment charge of \$4.3 million.

The income approach is based on the present value of future cash flows, which are derived from long term financial forecasts, and requires significant assumptions and judgement including among others, a discount rate and a terminal value. Fair values were based on expected future cash flows using Level 3 inputs under ASC 820. The cash flows are those expected to be generated by the market participants, discounted at the weighted average cost of capital. The present value of future cash flows was determined by discounting estimated future cash flows, which included long-term growth rate of 3%, at a weighted average cost of capital (discount rate) of 25%, which considered the risk of achieving the projected cash flows, including the risk applicable to the reporting unit, industry and market as a whole.

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The present value of future cash flows was determined by discounting estimated future cash flows, which included long-term growth rate of 3%, at a weighted average cost of capital (discount rate) of 25%, which considered the risk of achieving the projected cash flows, including the risk applicable to the reporting unit, industry, and market as a whole.

Changes to goodwill during the year months ended March 31, 2023 were as follows:

	Total
Balance—March 31, 2021	\$ 4,282,984
Impairment of goodwill in period	(4,282,984)
Balance—March 31, 2022	—
Goodwill acquired	99,552
Balance—March 31, 2023	\$ 99,552

Intangible assets consist of the following at March 31, 2023 and March 31, 2022:

	Patents & Exclusive License Agreement	Trademark	Customer Relationships	Non-Compete Agreement	Assembled Workforce	Total
Useful Life	9.74 years	9 Years	10 years	2 years	1 year	
Gross carrying amount	\$ 1,306,031	\$ 2,541,907	\$ 1,431,680	\$ 61,366	\$ 275,720	\$ 5,580,704
Impairment	(634,012)	(2,505,907)	(857,298)	—	—	(3,997,217)
Accumulated amortization	(672,019)	(2,000)	(574,382)	(61,366)	(275,720)	(1,583,487)
Balance—March 31, 2023	\$ —	\$ 34,000	\$ —	\$ —	\$ —	\$ 34,000

	Patents & Exclusive License Agreement	Trademark	Customer Relationships	Non-Compete Agreement	Assembled Workforce	Total
Useful Life	9.74 years	Indefinite	10 years	2 years	1 year	
Gross carrying amount	\$ 1,306,031	\$ 2,505,907	\$ 1,431,680	\$ 61,366	\$ 275,720	\$ 5,580,704
Impairment	(634,012)	(2,505,907)	(857,298)	—	—	(3,997,217)
Accumulated amortization	(672,019)	—	(574,382)	(61,366)	(275,720)	(1,583,487)
Balance—March 31, 2022	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Amortization expense for the year ended March 31, 2023 and 2022 was approximately \$0.1 million for both periods. Amortization expense is classified as a component of general and administrative expenses in the accompanying consolidated statements of operations. For the year ended March 31, 2022 the Company impaired its intangible assets by \$0.9 to bring the value of the intangible assets down to its assumed fair value. There was no impairment charge for the year ended March 31, 2023.

5. Balance Sheet Accounts

Prepaid Expenses

	March 31, 2023	March 31, 2022
Prepaid inventory	\$ 709,503	\$ 956,743
Prepaid insurance	68,094	77,553
Other prepaid expenses	85,006	93,066
	\$ 862,603	\$ 1,127,362

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Equipment

Equipment consisted of the following at March 31, 2023 and March 31, 2022:

	March 31, 2023			March 31, 2022		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Computers and electronics	\$ 315,837	\$ 309,587	\$ 6,250	\$ 315,837	\$ 305,420	\$ 10,417
Furniture and fixtures	36,795	36,795	—	36,795	36,795	—
Demonstration equipment	204,447	135,279	69,168	168,691	87,874	80,817
Equipment	130,563	93,342	37,221	88,742	88,742	—
Leasehold Improvements	79,448	4,414	75,034	—	—	—
Tools and parts	11,422	11,422	—	11,422	11,422	—
Assets under capital lease	68,453	68,453	—	68,453	68,453	—
	<u>\$ 846,965</u>	<u>\$ 659,292</u>	<u>\$ 187,673</u>	<u>\$ 689,940</u>	<u>\$ 598,706</u>	<u>\$ 91,234</u>

Depreciation expense for the year ended March 31, 2023 and 2022 was \$61,000 and \$40,000 respectively.

Accrued Liabilities

Accrued liabilities consist of the following at March 31, 2023 and March 31, 2022:

	March 31, 2023	March 31, 2022
Accrued personnel costs	\$ 164,825	\$ 115,992
Accrued director fees	930,834	480,672
Accrued commissions	15,088	22,924
Accrued professional fees	104,603	81,100
Accrued warranty costs	27,094	8,885
Accrued other	144,706	163,457
	<u>\$ 1,387,150</u>	<u>\$ 873,030</u>

Accrued warranty costs are included in accrued liabilities on the consolidated balance sheets and amounted to \$27,000 at March 31, 2023 and \$9,000 at March 31, 2022.

6. Inventories

Bionik states all inventories at the lower of cost or net realizable value, determined on a first-in, first-out method. Inventory includes finished goods at actual costs from its outsourced manufacturing partners and raw materials recorded at cost.

	March 31, 2023	March 31, 2022
Finished Goods	\$ 829,907	\$ 1,083,718
Raw Materials	204,581	107,302
	<u>\$ 1,034,488</u>	<u>\$ 1,191,020</u>

7. Notes Payable & PPP Loan

Convertible Loan – Q4 Working Capital Loans

On February 16, 2023, the Company issued a convertible promissory note (a “Q4 Working Capital Note”) in the amount of \$500,000 in borrowings, from an affiliate of Remi Gaston-Dreyfus, a director (the “Holder”). The Company used the net proceeds from the Q4 Working Capital Notes for the Company’s working capital and general corporate purposes. The Q4 Working Capital Note bears interest at a fixed rate of 1% per month, computed based on a 360-day year of twelve 30-day months and will be payable, along with the principal amount, in shares on the two-year anniversary of the applicable issue date (the “Q4 Working Capital Loan Maturity Date”).

The Q4 Working Capital Note will be convertible into equity of the Company upon the following events on the following terms: (a) on the applicable Q4 Working Capital Loan Maturity Date without any action on the part of the Holder, the outstanding principal and accrued and unpaid interest under such Q4 Working Capital Note will be converted into shares of common stock at a conversion price equal to the closing price of the Company's common stock on the applicable Q4 Working Capital Loan Maturity Date and (b) upon the consummation of the next equity or equity linked round of financing of the Company for cash proceeds (the "Qualified Financing"), without any action on the part of the Holder, the outstanding principal and accrued and unpaid interest under the applicable Q4 Working Capital Note will be converted into the securities (or units of securities if more than one security are sold as a unit) issued by the Company in one or more tranches in the context of the Qualified Financing, based upon the issuance (or conversion) price of such securities.

Interest expense associated with this loan for the year ended March 31, 2023 was \$7,000. There was no interest expense associated with this loan for the year ended March 31, 2022.

Convertible Loan – Q3 Working Capital Loans

On each of November 14, 2022 and December 14, 2022, the Company issued a convertible promissory note (each, a "Q3 Working Capital Note" and together, the "Q3 Working Capital Notes") in the amount of \$400,000, for an aggregate of \$800,000 in borrowings, from the Holder. The Company used the net proceeds from the Q3 Working Capital Notes for the Company's working capital and general corporate purposes. Each Q3 Working Capital Note bears interest at a fixed rate of 1% per month, computed based on a 360-day year of twelve 30-day months and will be payable, along with the principal amount, in shares on the two-year anniversary of the applicable issue date (the "Q3 Working Capital Loan Maturity Date").

Each Q3 Working Capital Note will be convertible into equity of the Company upon the following events on the following terms: (a) on the applicable Q3 Working Capital Loan Maturity Date without any action on the part of the Holder, the outstanding principal and accrued and unpaid interest under such Q3 Working Capital Note will be converted into shares of common stock at a conversion price equal to the closing price of the Company's common stock on the applicable Q3 Working Capital Loan Maturity Date and (b) upon the consummation of the next Qualified Financing, without any action on the part of the Holder, the outstanding principal and accrued and unpaid interest under the applicable Q3 Working Capital Note will be converted into the securities (or units of securities if more than one security are sold as a unit) issued by the Company in one or more tranches in the context of the Qualified Financing, based upon the issuance (or conversion) price of such securities.

Interest expense associated with these loans for the year ended March 31, 2023 was \$33,000. There was no interest expense associated with these loans for the year ended March 31, 2022.

Convertible Loan – Acquisition Loan

On September 2, 2022, the Company borrowed \$250,000 (the "Acquisition Loan") from the Holder. The Acquisition Loan is evidenced by a Secured Convertible Promissory Note (the "Acquisition Note") and is further subject to a related Collateral Pledge Agreement. The Company used the proceeds from the Acquisition Loan to finance the acquisition of the assets of Dearman LLC and pay related costs and expenses. See Note 2, above. The Acquisition Note bears interest at a fixed rate of 1% per month, computed based on a 360-day year of twelve 30-day months and will be payable, along with the principal amount, on the two year anniversary of the Issue Date (the "Maturity Date").

The Acquisition Note will be convertible into equity of the Company upon the following events on the following terms: (a) On the two year anniversary of the loan, the outstanding principal and accrued and unpaid interest under the Acquisition Note will be converted into shares of common stock at a conversion price equal to the closing price of the Company's common stock on such date; and (b) upon the consummation of the next Qualified Financing, the outstanding principal and accrued and unpaid interest under the Acquisition Note will be converted into the securities (or units of securities if more than one security are sold as a unit) issued by the Company in one or more tranches in the context of the Qualified Financing, based upon the issuance (or conversion) price of such securities.

Interest expense associated with the Acquisition Loan for the year ended March 31, 2023 was \$17,000. There was no interest expense associated with the Acquisition Loan for the year ended March 31, 2022.

Convertible Loan – Q1 Working Capital Loan

Between June 9, 2022, and June 10, 2022, the Company issued convertible promissory notes (each, a “Q1 Working Capital Note” and collectively, the “Q1 Working Capital Notes”) and borrowed an aggregate of \$500,000 from the Holder (\$200,000); an affiliate of André-Jacques Auberton-Hervé, the Chairman of the Board of Directors of the Company (\$100,000); and an existing investor and shareholder of the Company (\$200,000) (collectively, the “Holders”). The Company used the net proceeds from the Q1 Working Capital Notes for the Company’s working capital and general corporate purposes. Each Q1 Working Capital Note bears interest at a fixed rate of 1% per month, computed based on a 360-day year of twelve 30-day months and will be payable, along with the principal amount, in shares on the two-year anniversary of the applicable issue date (the “Q1 Working Capital Loan Maturity Date”).

Each Q1 Working Capital Note will be convertible into equity of the Company upon the following events on the following terms: (a) on the applicable Q1 Working Capital Loan Maturity Date without any action on the part of the Holders, the outstanding principal and accrued and unpaid interest under such Q1 Working Capital Notes will be converted into shares of common stock at a conversion price equal to the closing price of the Company’s common stock on the applicable Q1 Working Capital Loan Maturity Date and (b) upon the consummation of the next Qualified Financing, without any action on the part of the Holders, the outstanding principal and accrued and unpaid interest under the applicable Q1 Working Capital Note will be converted into the securities (or units of securities if more than one security are sold as a unit) issued by the Company in one or more tranches in the context of the Qualified Financing, based upon the issuance (or conversion) price of such securities.

Interest expense associated with these loans for the year ended March 31, 2023 was \$48,000. There was no interest expense associated with these loans for the year ended March 31, 2022.

Refinancing Loan

During the year ended March 31, 2022, the Company commenced a refinancing of its existing indebtedness and launched a new secured convertible promissory note offering of up to \$10.0 million (the “2021 Offering”). Pursuant to the terms of the 2021 Offering, the Company is offering for sale up to \$10.0 million in convertible promissory notes (the “2021 Notes”) to accredited investors and non-U.S. persons. As a result, the Company issued an aggregate of \$8.3 million in principal of 2021 Notes of which an aggregate of \$5.0 million was purchased for cash and the remainder was issued as a result of consolidating existing debt.

Under the Company’s existing term loan and security agreement as well as the existing shareholder loan as mentioned below, a portion of the outstanding principal and unpaid interest were used as consideration to acquire 2021 Notes in the 2021 Offering and, as a result and with the option exercises described below, the term loan agreement and the existing shareholder loan were deemed paid in full and terminated. Accordingly, an aggregate of \$1.1 million in outstanding principal and accrued unpaid interest under the term loan agreement was used to purchase a like amount of 2021 Notes in the 2021 Offering and an aggregate of \$2.2 million in outstanding principal and accrued and unpaid interest under the shareholder loan was used to purchase a like amount of 2021 Notes in the 2021 Offering. The remaining \$0.6 million of the outstanding principal and accrued and unpaid interest under the term loan agreement was applied towards the purchase price to exercise outstanding options of certain debtholders.

Pursuant to the terms of the 2021 Offering, the Company issued an aggregate of \$5.0 million in principal of additional 2021 Notes, which was purchased for cash. The Company intends to use the net cash proceeds from the 2021 Offering for the Company’s working capital requirements. The 2021 Notes bear interest at a fixed rate of 1% per month, computed based on a 360-day year of twelve 30-day months and will be payable, along with the principal amount, on the earlier of (the “Maturity Date”): (a) March 31, 2022 and (b) the consummation of the 2021 Offering, provided that the Company raises in one or more tranches aggregate gross proceeds of no less than \$10,000,000.

The 2021 Note will be convertible either on the Maturity Date without any action on the part of the Lender into shares of common stock at a conversion price of \$9.50 per share (the “Conversion Price”), or upon a change of control transaction prior to the Maturity Date at the election of the holders of a majority of the outstanding principal of the 2021 Notes under the 2021 Offering, be either (i) payable upon demand as of the closing of such change of control transaction or (ii) convertible into shares of the Company’s common stock immediately prior to such change of control transaction at a price per share equal to the lesser of (x) the Conversion Price, or (y) the per share consideration to be received by the holders of the common stock in such change of control transaction. On March 31, 2022 the 2021 notes were converted into 946,194 shares of common stock of the Company.

Interest expense associated with the 2021 Notes for the year ended March 31, 2022, was \$0.7 million.

March 31, 2021	\$ 3,258,308
Proceeds from term loan	550,000
Convertible loans issued	5,000,000
Conversion of term loans into option exercises	(642,042)
Interest	822,568
Convertible loans and interest converted in 946,194 shares	(8,988,834)
March 31, 2022	\$ —

Shareholder Loans

On March 23, 2020, the Company received a \$2.0 million loan from an existing shareholder. The promissory note evidencing the loan bears interest at a fixed rate of 1% per month and has a maturity date of the earlier of (i) March 31, 2022 and (ii) the date of receipt of a minimum of \$5.0 million from a "Subsequent Financing." The accrued interest shall be payable in cash commencing on June 30, 2021 for the previous quarter. Half of the interest accrued during the first three payment dates (3-month, 6-month and 9-month anniversaries of the issue date), was rolled into Term Loan and Security Agreement as mentioned above. The remaining half of the interest accrued will be paid upon the maturity date. As noted above, this debt was consolidated into the Company's 2021 notes and this loan converted into shares of the common stock of the Company on March 31, 2022.

On February 24, 2021, and in addition to the shareholder loan above, the Company entered into a term loan and security agreement dated February 12, 2021 where Bionik may borrow up to \$3.0 million from lenders from time to time. Pursuant to the terms of the agreement, the loan bears interest at a fixed rate of 1% per month. The principal amount and interest on the loan will be due and payable on the earlier of (i) February 12, 2023 and (ii) the date of receipt by the Company of a minimum of \$3.0 million in equity. As of March 31, 2021, the Company has taken out \$1.0 million against this term loan. As noted above, on July 15, 2021 this indebtedness was consolidated into the Company's 2021 Notes. An aggregate of \$3.3 million in outstanding principal and accrued unpaid interest was used to purchase a like amount of 2021 Notes in the 2021 Offering. The remaining \$0.6 million of the outstanding principal and accrued and unpaid interest was applied towards the purchase price to exercise options held by the debtholders.

Interest expense associated with these loans for the year ended March 31, 2022 was \$0.1 million. There was no interest expense associated with these loans for the year ended March 31, 2023.

Paycheck Protection Program Loan

In May 2020, the Company signed a promissory note for \$0.5 million pursuant to the federal Paycheck Protection Program under the Coronavirus Aid, Relief and Economic Security Act, which is administered by the U.S. Small Business Administration. The loan is unsecured, bears interest of 1% per annum and a deferment period of 6 months. The loan is to be used primarily for payroll related costs, lease, and utility payments. The Company had applied for forgiveness and as such forgiveness was granted in May 2021. The forgiveness of the PPP loan is recorded in the statement of operations as other income for the year ended March 31, 2022.

8. Related Party Transactions

Since April 1, 2021 through March 31, 2023, the following related party loans were made to the Company:

On April 24, 2021, the Company borrowed \$300,000 from the Holder evidenced by an up to \$3 million loan agreement, and such note and interest will need to be paid back by February 12, 2023 or the date of receipt by the Company of a minimum of \$3 million in equity.

On June 18, 2021, the Company borrowed \$200,000 from the Holder evidenced by an up to \$3 million loan agreement, and such note and interest will need to be paid back by February 12, 2023 or the date of receipt by the Company of a minimum of \$3 million in equity.

On July 15, 2021, in conjunction with the 2021 convertible promissory note offering, the Company consolidated the above-mentioned loan agreements from the Holder totaling \$1.1 million in principle and accrued interest. Accordingly, an aggregate of \$0.7 million in outstanding principal and accrued unpaid interest under the above-mentioned loan agreements was used to purchase a like amount of 2021 Notes in the 2021 Offering and the remaining \$0.4 million of the outstanding principal and accrued and unpaid interest under the above mentioned loan agreements was applied towards the purchase price to exercise outstanding options whereby RGD Investissements S.A.S., an affiliate of Mr. Gaston-Dreyfus received 120,759 shares of our common stock.

On March 31, 2022, pursuant to the terms of the Company's 2021 convertible promissory notes, we converted \$8.9 million in principal and interest into 946,194 shares of our common stock. RGD Investissements S.A.S., an affiliate of Mr. Gaston-Dreyfus received 77,887 shares of our common stock in such transaction.

Between June 9, 2022 and June 10, 2022, we issued convertible promissory notes and borrowed an aggregate of \$500,000 from an affiliate of Remi Gaston-Dreyfus, a director of the Company (\$200,000); an affiliate of André-Jacques Auberton-Hervé, the Chairman of the Board of Directors of the Company (\$100,000); and an existing investor and shareholder of the Company (\$200,000). The holders subscribed to the promissory notes pursuant to a subscription agreement.

On September 2, 2022, the Company borrowed \$250,000 from GD Holding, an affiliate of Remi Gaston-Dreyfus, a director of the Company. The loan is evidenced by a secured convertible promissory note and is further subject to a related collateral pledge agreement. The Company used the proceeds from the loan to finance the acquisition of the Tower Aquatic & Sports Physical Therapy for a cash purchase price of \$215,000 and to pay related costs and expenses.

On November 14, 2022, December 14, 2022, and February 16, 2023 we issued convertible promissory notes and borrowed \$400,000, \$400,000 and \$500,000 respectively from an affiliate of Remi Gaston-Dreyfus, a director of the Company. The holder subscribed to the note pursuant to a subscription agreement.

9. Stockholders' Equity

Common Stock Authorized

	March 31, 2023		March 31, 2022	
	Number of shares	\$	Number of shares	\$
Exchangeable Shares				
Balance beginning of period	112,440	\$ 113	112,440	\$ 113
Converted into common shares	(1,048)	(1)	—	—
Balance at end of period	111,392	112	112,440	113
Common Shares				
Balance at beginning of the period	6,767,114	6,766	5,589,375	5,589
Shares issued to exchangeable shareholders	1,048	1	—	—
Shares issued on conversion of loans (a)	—	—	947,602	947
Shares issued in lieu of services (b)	110,000	110	50,000	50
Options exercised in conjunction with 2021 notes (c)	—	—	180,137	180
Balance at end of the period	6,878,162	6,877	6,767,114	6,766
Total Shares	6,989,554	\$ 6,989	6,879,554	\$ 6,879

- (a) During the year ended March 31, 2022, the Company issued the remaining 1,408 shares of the Company's common stock which were issued to the noteholders pursuant to the terms of the 2020 Convertible Notes as discussed in Note 6 above. Additionally, on March 31, 2022, the 2021 notes were converted into 946,194 shares of common stock of the Company as discussed in Note 6 above. During the year ended March 31, 2021, the principal and interest of \$1.7 million associated with the 2020 Convertible notes were converted into 181,463 shares of common stock of the Company as discussed in Note 6 above.
- (b) During the year ended March 31, 2022, the Company issued 50,000 shares for expenses to support the Company's investor relations strategy. During the year ended March 31, 2023, the Company issued 110,000 shares to a director of the Company in lieu of consulting services. The shares were valued based on the trading price of the Company's common stock on the issuance date.
- (c) With the 2021 Notes as discussed in Note 6 above, in July 2021, \$0.6 million of the outstanding principal and accrued and unpaid interest under the term loan agreement was applied towards the purchase price to exercise 180,137 outstanding options of certain debtholders. The outstanding options were valued based on the predetermined exercise price of the stock options.

As approved by the stockholders of the Company at the annual meeting of stockholders held on October 5, 2020, the Company filed a certificate of amendment to its Amended and Restated Certificate of Incorporation, as amended with the Secretary of State of Delaware to decrease the authorized number of shares of (i) common stock of the Company from 500,000,000 to 13,000,000 and (ii) preferred stock of the Company from 10,000,000 to 5,000,000.

Special Voting Preferred Share

In February 2015, the Company entered into a voting and exchange trust agreement (the “Trust Agreement”). Pursuant to the Trust Agreement, the Company issued one Special Voting Preferred Share to a Trustee, and the parties created a trust for the Trustee to hold the Special Voting Preferred Share for the benefit of the holders of the Exchangeable Shares of a subsidiary of the Company (the “Beneficiaries”). The Special Voting Preferred Share entitles the Trustee to exercise the number of votes equal to the number of Exchangeable Shares outstanding on a one-for-one basis during the term of the Trust Agreement. The Special Voting Preferred Share is not entitled to receive any dividends or to receive any assets of the Company upon liquidation and is not convertible into shares of common stock of the Company. The voting rights of the Special Voting Preferred Share will terminate pursuant to and in accordance with the Trust Agreement and the Special Voting Preferred Share will be automatically cancelled.

Preferred Stock

Bionik has authorized 5,000,000 shares of \$0.001 par value preferred stock at March 31, 2023 and March 31, 2022. The Company’s board of directors has full authority to issue this stock and to fix the voting powers, preference rights, qualifications, limitations, or restrictions thereof, including dividend rights, conversion rights, redemption privileges and liquidation preferences and the number of shares constituting any series or designation of such series.

10. Share-Based Compensation

In 2014, the Company’s board of directors adopted the 2014 Equity Incentive Plan (the “2014 Plan”), which was approved by Bionik’s stockholders in 2014. The 2014 Plan provides for the grant of incentive stock options (“ISOs”), as well as nonstatutory options, RSUs and PSUs. The board of directors administers the 2014 Plan and has sole discretion to grant options to purchase shares of Bionik’s common stock, RSUs and PSUs.

The board of directors determines the term of each option, RSU and PSU, option price, number of shares for which each option, RSU and PSU is granted, whether restrictions would be imposed on the shares subject to options and the rate at which each option is exercisable. At March 31, 2023 the number of shares of common stock reserved for issuance under the 2014 Plan is 885,504 shares, or 17% of its issued and outstanding shares at January 1, 2022. Options granted under the 2014 Plan have varying vesting schedules based on the board of directors’ discretion. As of March 31, 2023, there were 224,282 shares available for future grant under the 2014 Plan.

Stock Options

Stock option activity under the 2014 Plan is as follows:

	Number of Options	Exercise Price Range	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life
Vested	570,068	\$ 1.21 – 157.50	\$ 7.86	4.91 years
Unvested	207,197	2.10 – 24.15	2.54	6.51 years
Outstanding, March 31, 2022	777,265	\$ 1.21 – 183.00	\$ 6.46	5.34 years
Issued	244,000	0.30	0.30	
Exercised	—	—	—	
Forfeited	(93,247)	2.10 – 158.00	12.15	
Outstanding, March 31, 2023	928,018	\$ 0.30 – 157.50	\$ 4.25	4.84 years
Vested	582,102	1.21 – 157.50	6.29	4.01 years
Unvested	345,916	0.30 – 2.10	0.83	6.24 years
Vested or expected to vest, March 31, 2023	928,018	0.30 – 157.50	4.25	4.84 years
Exercisable, March 31, 2023	582,102	\$ 1.21 – 157.50	\$ 6.29	4.01 years

11. Warrants

The following is a continuity schedule of the Company's common share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price
Outstanding and exercisable, March 31, 2021	122,367	19.69
Expired	(42,684)	(9.38)
Outstanding and exercisable, March 31, 2022	79,683	25.22
Expired	(79,683)	(25.22)
Granted	400,000	0.40
Outstanding and exercisable March 31, 2023	400,000	0.40

During the year ended March 31, 2023 and 2022, 79,683 and 42,684 warrants, respectively, expired in accordance with their terms. During the year ended March 31, 2023 the Company granted 400,000 warrants at \$0.40 per share with an expiration date of March 23, 2028.

The following is a summary of common share purchase warrants outstanding as of March 31, 2023.

Exercise Price (\$)	Number of Warrants	Expiry Date
0.40	400,000	March 23, 2028

The weighted-average remaining contractual term of the outstanding warrants was 5 years.

12. Leases

The Company has an operating lease for the Tower Aquatic clinic. The Company determines if an arrangement is a lease at the inception of a contract. Right-of-use assets represent the Company's right to use an underlying asset during the lease term and operating lease liabilities represent net present value of the Company's obligation to make lease payments arising from the lease. Right-of-use assets and operating lease liabilities are recognized at commencement date based on the net present value of the fixed lease payments over the lease term. The Company's lease terms include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. As the Company's operating lease does not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Operating fixed lease expense is recognized on a straight-line basis over the lease term.

In accordance with ASC 842, the Company records on its consolidated balance sheet leases with a term greater than 12 months. The Company has elected, in compliance with current accounting standards, not to record leases with an initial term of 12 months or less in the consolidated balance sheet. ASC 842 requires the separation of the fixed lease components from the variable lease components. The Company has elected the practical expedient to account for separate lease components of a contract as a single lease cost thus causing all fixed payments to be capitalized. Non-lease and variable cost components are not included in the measurement of the right-of-use assets or operating lease liabilities.

Operating lease cost and variable lease cost were \$22,000 and \$7,000, for the year ended March 31, 2023. There was no operating lease cost and variable lease cost for the year ended March 31, 2022.

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The aggregate future lease payments for the Company's operating lease of March 31, 2023 were as follows:

Fiscal Year	Amount
2024	36,989
2025	38,202
2026	38,202
2027	38,202
Thereafter	178,274
Total Lease Payments	\$ 329,869
Less Imputed Interest	73,353
Total operating lease liabilities	<u>\$ 256,516</u>

13. Income Taxes

The income tax rate at March 31, 2023 and 2022, was 25.09% and 25.85%, respectively to the effective tax rate is as follows:

	2023	2022
Net loss before recovery of income taxes	\$ (4,946,025)	\$ (10,407,994)
Expected income tax (recovery) expense	\$ (1,239,580)	\$ (2,690,193)
Tax rate changes and other adjustments	320,920	990,363
Share based compensation	77,270	99,348
Other non-deductible expenses	228,430	99,585
Goodwill impairment	—	1,107,039
Change in valuation allowance	612,960	393,858
Income tax (recovery) expense	<u>\$ —</u>	<u>\$ —</u>

The following deferred tax assets have not been recognized. Deferred tax reflects the tax effects of temporary differences that gave rise to significant portions of deferred tax assets and liabilities and consisted of the following:

	2023	2022
Equipment	\$ 63,320	\$ 63,563
Intangible Assets	12,530	—
Lease liability	65,010	—
Non-capital losses – Canada	2,946,130	2,923,625
Net operating losses – US	10,685,250	10,174,122
SR&ED pool	1,455,940	1,255,427
Other	1,267,480	1,395,599
Valuation Allowance	(16,425,300)	(15,812,336)
	<u>70,360</u>	<u>—</u>
Property and equipment	(4,040)	—
Right-of-use asset	(64,540)	—
Intangibles and other	(1,780)	—
Net deferred tax asset	<u>\$ —</u>	<u>\$ —</u>

The Company has non-capital losses in its Canadian subsidiary of \$11.0 million which will expire between 2032 and 2043.

The Company has net operating losses in the U.S. of \$42.7 million, of which \$18.6 million will start to expire in 2028, and the remaining losses can be carried forward indefinitely.

Certain tax attributes are subject to an annual limitation as a result of the acquisition of the US subsidiary, which constitutes a change of ownership as defined under IRC Section 382.

The following describes the open tax years, by major tax jurisdiction, as of March 31, 2023:

United States – Federal 2019 – present

United States – State 2019 – present

Canada – Federal 2018 – present

Canada – Provincial 2018 – present

14. Risk Management

Concentrations of Credit Risk and Economic Dependence

Cash and cash equivalents include highly liquid investments with original terms to maturity of 90 days or less at the date of purchase. For all periods presented cash and cash equivalents consisted entirely of cash on deposit with Canadian and US banks.

The Company's cash balances are maintained in various banks in Canada and the United States. Deposits held in banks in the United States are insured up to \$250,000 per depositor for each bank by the Federal Deposit Insurance Corporation. Deposits held in banks in Canada are insured up to \$200,000 Canadian per depositor for each bank by The Canada Deposit Insurance Corporation, a federal crown corporation. Actual balances at times may exceed these limits.

One customer represented 43% and 59% of Bionik's revenues for the years ended March 31, 2023 and March 31, 2022 respectively. Of the Company's accounts receivables at March 31, 2023 and March 31, 2021, the same customer represented 60% and 95% of its balance respectively.

15. Commitments and Contingencies

Contingencies

From time to time, the Company may be involved in a variety of claims, suits, investigations and proceedings arising in the ordinary course of our business, collections claims, breach of contract claims, labor and employment claims, tax and other matters. Although claims, suits, investigations and proceedings are inherently uncertain and their results cannot be predicted with certainty, the Company believes that the resolution of current pending matters will not have a material adverse effect on its business, financial position, results of operations or cash flow. Regardless of the outcome, litigation can have an adverse impact on the Company because of legal costs, diversion of management resources and other factors.

Commitments

In February 2015, 1,753 common shares were issued to two former lenders connected with a \$0.2 million loan received and repaid during fiscal 2013. The common shares were valued at \$0.2 million based on the value of the concurrent private placement and recorded in stock-based compensation on the consolidated statement of operations and comprehensive loss. As part of the consideration for the initial loan, the Company's then-CTO and COO had transferred 2,098 common shares to the lenders. For contributing the common shares to the lenders, the Company intends to reimburse the former CTO and COO 2,134 common shares. As of March 31, 2023 these shares have not yet been issued.

In connection with the Company's April 2016 acquisition of Interactive Motion Technologies, Inc., the Company acquired a license agreement dated September 8, 2009, with a former director as a co-licenser, pursuant to which the Company is obligated to pay the former director and the co-licenser an aggregate royalty of 1% of sales based on patent #8,613,691 Dynamic Lower Limb Rehabilitation Robotic Apparatus and Method of Rehabilitating Human Gait). No sales have been made, as the technology under this patent has not been commercialized

16. Subsequent Events

Private offering and conversion of existing convertible notes

On June 13, 2023, the Company launched a new private offering of its convertible promissory notes of up to \$2,000,000, with an initial subscription of \$220,000 from an affiliate of the Company's Chairman, Andre-Jacques Auberton-Herve. The holder subscribed to the note pursuant to a subscription agreement. The Company intends to use the net proceeds from the offering for the Company's working capital and general corporate purposes. The note bears interest at a fixed rate of 1% per month, computed based on a 360-day year of twelve 30-day months and will be payable, along with the principal amount, on June 1, 2024.

The note will be convertible into equity of the Company upon the following events on the following terms:

- On the June 1, 2024 without any action on the part of the holder, the outstanding principal and accrued and unpaid interest under the note will be converted into shares of common stock at a conversion price equal to \$0.60 per share.
- Upon the consummation of the next equity or equity linked round of financing of the Company for cash proceeds, without any action on the part of the holder, the outstanding principal and accrued and unpaid interest under the note will be converted into shares of common stock at a conversion price equal to the lesser of (a) the issue price per share in the equity or equity linked financing and (b) \$0.60 per share.

As a result of the private offering discussed above, the principal and accrued interest under the Company's outstanding convertible promissory notes, converted into an aggregate of 4,083,544 shares of the Company's common stock, in accordance with the terms of the outstanding notes. Of such shares, 3,102,878 were issued to an affiliate of Remi Gaston-Dreyfus, a director of the Company, 186,111 were issued to an affiliate of Chairman Auberton-Herve, and 794,554 were issued to two existing stockholders.

Director Note

On June 14, 2023, Audrey Frederique Thevenon, and on June 16, 2023, Joseph Martin, each a director of the Company, agreed to convert \$108,333 of accrued director fees due and owed to each of them, promissory note (each, "Director Note").

Each Director Note bears interest at a fixed rate of 1% per month, computed based on a 360-day year of twelve 30-day months and will be payable, along with the principal amount, on the earlier of (a) the 10-year anniversary of the issue date, (b) such date that the Company generates at least \$10 million in annual revenues and (c) the consummation of an equity or equity linked round of financing of the Company for cash proceeds of no less than \$10 million. Each Director Note may be prepaid by the Company in whole or in part, without need for the consent of the holder. Each Director Note provides for a general release of the Company with respect to the Accrued Director Fees, subject to the Company's compliance with the terms of the Director Note and other limitations.

Issuance of Equity Securities in Lieu of Director Fees

On June 9, 2023, the Company directed the issuance, as of May 31, 2023, of an aggregate of 1,518,725 shares of the Company's common stock, as payment in full for all accrued and unpaid directors fees and consulting fees, as the case may be, to each of Messrs. Gaston-Dreyfus, Auberton-Herve, Matine and Prywata, through May 31, 2023.

**CERTIFICATION PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Rich Russo Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Bionik Laboratories Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report, our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: June 21, 2023

/s/ Rich Russo Jr.

Rich Russo Jr.
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Dan Gonsalves, certify that:

1. I have reviewed this annual report on Form 10-K of Bionik Laboratories Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report, our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: June 21, 2023

/s/ Dan Gonsalves

Dan Gonsalves
Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Bionik Laboratories Corp. (the "Company") on Form 10-K for the annual period ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Rich Russo Jr., Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: June 21, 2023

/s/ Rich Russo Jr.

Rich Russo Jr.
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Bionik Laboratories Corp. (the "Company") on Form 10-K for the annual period ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dan Gonsalves, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: June 21, 2023

/s/ Dan Gonsalves

Dan Gonsalves
Chief Financial Officer
(Principal Financial and Accounting Officer)
