PHARMADRUG INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

(EXPRESSED IN CANADIAN DOLLARS)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management of Pharmadrug Inc.

The Company's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

PHARMADRUG INC.

Unaudited Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at March 31, 2022	As at December 31, 2021
	$	$
Assets		
Current Assets		
Cash	**77,258**	957,984
Other receivables (Note 5)	**136,023**	83,926
Inventories (Note 6)	**112,178**	156,059
Prepaid expenses (Note 7)	**91,490**	58,393
Other investments (Note 8)	**195,811**	337,387
Total Current Assets	**612,760**	1,593,749
Property and equipment (Note 9)	**74,519**	99,619
Intangible assets (Note 10)	**6,963,441**	7,353,196
Goodwill (Note 10)	**10,315,693**	10,473,876
Total Assets	**17,966,413**	19,520,440
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 11)	**548,988**	437,176
Lease liabilities – current (Note 12)	**24,406**	42,674
Total Current Liabilities	**573,394**	479,850
Lease liabilities (Note 12)	**30,611**	37,320
Convertible debentures (Note 13)	**826,933**	786,374
Provisions (Note 21)	**93,387**	97,014
Deferred tax liabilities	**1,134,387**	1,254,568
Total Liabilities	**2,658,712**	2,655,126
Shareholders' Equity		
Share capital (Note 14)	**30,776,969**	30,606,969
Equity component of convertible debentures	**248,945**	248,945
Reserve for share-based payments (Note 15)	**1,405,845**	1,242,275
Reserve for warrants (Note 16)	**4,292,722**	4,292,722
Accumulated other comprehensive gain (loss)	**44,852**	(121,569)
Accumulated deficit	**(21,461,632)**	(19,404,028)
Total Shareholders' Equity	**15,307,701**	16,865,314
Total Liabilities and Shareholders' Equity	**17,966,413**	19,520,440

Nature of operations and going concern (Note 1)
Contingencies (Note 21)
Subsequent events (Note 25)

Approved on behalf of the Board of Directors:

"Daniel Cohen" (signed)
Director

"Al Quong" (signed)
Director

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

PHARMADRUG INC.
Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the Three Months Ended March 31, 2022 and 2021
(Expressed in Canadian Dollars)

	2022	2021
	$	$
Revenue		
Sales revenue	**102,677**	136,655
Cost of goods sold (Note 6)	**(83,030)**	(130,089)
Gross Profit	**19,647**	6,566
Expenses		
Salaries and consulting fees (Note 17)	**314,298**	237,521
Professional fees (Note 17)	**177,117**	285,123
Office and general	**82,053**	109,014
Depreciation on office equipment (Note 9)	**2,322**	1,422
Depreciation on right-of-use assets (Note 9)	**20,536**	11,188
Amortization of intangible assets (Note 10)	**292,302**	310,837
Filing fees	**11,991**	31,242
Travel and promotion	**65,029**	191,714
Share-based compensation (Notes 14,15 and 17)	**333,570**	218,796
Research expense	**299,485**	-
	(1,598,703)	(1,396,857)
Loss before Other Expenses	**(1,579,056)**	(1,390,291)
Other Expenses		
Realized gain on disposals of investments (Note 8)	**-**	903,060
Fair value change in investments (Note 8)	**(141,576)**	(925,701)
Finance costs (Note 23)	**(41,419)**	(42,953)
Gain on lease derecognition (Note 12)	**6,416**	-
Foreign exchange loss	**(391,920)**	(459,494)
	(568,499)	(525,088)
Net Loss before Income Taxes	**(2,147,555)**	(1,915,379)
Deferred income tax – recovery	**89,951**	87,202
Net Loss	**(2,057,604)**	(1,828,177)
Other Comprehensive Loss		
Exchange gain (loss) on translation of foreign operations	**166,421**	(9,806)
Comprehensive Loss	**(1,891,183)**	(1,837,983)
Total Net Loss Attributable to:		
Shareholders of Pharmadrug Inc.	**(2,057,604)**	(1,735,377)
Non-Controlling Interest (Note 18)	**-**	(92,800)
Net Loss	**(2,057,604)**	(1,828,177)
Net Loss per Share		
- Basic and diluted	**(0.006)**	(0.006)
Weighted Average Number of Outstanding Shares		
- Basic and diluted	**343,536,383**	302,308,621

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

PHARMADRUG INC.
Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2022 and 2021
(Expressed in Canadian Dollars)

	2022	2021
	$	$
Operating Activities		
Net loss for the period	**(2,057,604)**	(1,828,177)
Adjustments for non-cash items:		
Share-based compensation (Notes 14, 15 and 17)	**333,570**	218,796
Depreciation on office equipment (Note 9)	**2,322**	1,422
Depreciation on right-of-use assets (Note 9)	**20,536**	11,188
Amortization of intangible assets (Note 10)	**292,302**	310,837
Realized gain on disposals of investments (Note 8)	**-**	(903,060)
Fair value change on investments (Note 8)	**141,574**	925,701
Finance costs (Note 23)	**40,669**	35,434
Deferred income tax – recovery	**(89,951)**	(87,202)
Other income (Note 13)	**(6,416)**	-
	(1,322,998)	(1,315,061)
Net change in non-cash working capital items:		
Other receivables (Note 5)	**(52,097)**	(50,052)
Inventories (Note 6)	**43,881**	19,527
Prepaid expenses (Note 7)	**(33,097)**	(88,534)
Accounts payable and accrued liabilities (Note 11)	**111,812**	14,036
Cash Flows (used in) Operating Activities	**(1,252,499)**	(1,420,084)
Financing Activities		
Interest payment made on debentures (Note 13)	**-**	(1,635)
Lease payments (Note 12)	**(16,362)**	(17,035)
Proceeds from exercise of options (Note 14)	**-**	72,250
Proceeds from exercise of warrants (Note 14)	**-**	724,070
Proceeds from exercise of broker options (Note 14)	**-**	67,640
Cash Flows (used in) provided by Financing Activities	**(16,362)**	845,290
Investing Activities		
Cash acquired on business acquisitions (Note 4)	**-**	361,982
Proceeds from disposals of investments (Note 8)	**-**	1,214,454
Purchases of property and equipment (Note 9)	**(1,579)**	-
Cash Flows (used in) provided by Investing Activities	**(1,579)**	1,576,436
(Decrease) increase in cash	**(1,270,440)**	1,001,642
Effects of foreign exchange on cash	**389,714**	396,404
Cash, beginning of period	**957,984**	2,134,866
Cash, end of period	**77,258**	3,532,912
Supplemental Information		
Interest expense on lease payable (Note 12)	**110**	1,967
Cash paid on convertible debentures (Note 13)	**-**	1,635

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

PHARMADRUG INC.

Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the Three Months Ended March 31, 2022 and 2021
(Expressed in Canadian Dollars)

	Share Capital		Reserves						
	Number of Shares	Amount	Equity Component of Debentures	Reserve for Share-Based Payments	Reserve for Warrants	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Non-Controlling Interest	Total
	#	$	$	$	$	$	$	$	$
Balance, December 31, 2020	**241,632,183**	**21,831,792**	**248,945**	**813,256**	**2,866,900**	**(246,952)**	**(15,856,884)**	**1,255,892**	**10,912,949**
Issuance of conversion of debentures (Note13(a))	5,700,000	213,993	-	-	71,007	-	-	-	285,000
Issuance on business acquisition (Notes 4 and 14)	75,000,000	6,750,000	-	-	3,593,184	-	-	-	10,343,184
Exercise of stock options (Notes 14 and 15)	850,000	135,724	-	(63,474)	-	-	-	-	72,250
Share-based compensation (Note 15)	-	-	-	218,796	-	-	-	-	218,796
Expiry and cancellation of stock options (Note 15)	-	-	-	(28,736)	-	-	28,736	-	-
Exercise of warrants (Notes 14 annd 16)	15,834,200	1,497,171	-	-	(705,461)	-	-	-	791,710
Expiry of warrants (Note 16)	-	-	-	-	(237,857)	-	237,857	-	-
Exchange loss on translation of foreign operations	-	-	-	-	-	(9,806)	-	-	(9,806)
Net loss for the period	-	-	-	-	-	-	(1,735,377)	(92,800)	(1,828,177)
Balance, March 31, 2021	**339,016,383**	**30,428,680**	**248,945**	**939,842**	**5,587,773**	**(256,758)**	**(17,325,668)**	**1,163,092**	**20,785,906**
Balance, December 31, 2021	**340,816,383**	**30,606,969**	**248,945**	**1,242,275**	**4,292,722**	**(121,569)**	**(19,404,028)**	**-**	**16,865,314**
Share-based compensation (Note 15)	-	-	-	163,570	-	-	-	-	163,570
Share issued for services (Note 14)	3,400,000	170,000	-	-	-	-	-	-	170,000
Exchange gain on translation of foreign operations	-	-	-	-	-	166,421	-	-	166,421
Net loss for the period	-	-	-	-	-	-	(2,057,604)	-	(2,057,604)
Balance, March 31, 2022	**344,216,383**	**30,776,969**	**248,945**	**1,405,845**	**4,292,722**	**44,852**	**(21,461,632)**	**-**	**15,307,701**

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

1. Nature of Operations and Going Concern

Pharmadrug Inc. (“Pharmadrug” or the “Company”) is a specialty pharmaceutical company focused on the research, development and commercialization of controlled-substances and natural medicines such as psychedelics, cannabis and naturally derived approved drugs. The Company owns an 100% equity in Pharmadrug Production GmBH (“Pharmadrug Production”), a German medical cannabis distribution company that holds a Schedule 1 European Union (“E.U.”) narcotics license, allowing for the importation and distribution of medical cannabis to pharmacies in Germany and throughout the E.U. The Company also owns and operates an early-stage retail company doing business as Super Smart, an entity building a vertically integrated retail business with the goal to elevate the use of functional mushrooms, and psilocybin mushrooms where federally legal, as natural based medicines. In 2021, the Company acquired Sairiyo Therapeutics Inc. (“Sairiyo”), a biotech Company that specializes in researching and reformulating established natural medicines with a goal of bringing them through clinical trials and the associated regulatory approval process in the United States (the “U.S.”).

The Company’s common shares are listed on the Canadian Securities Exchange under the trading symbol “PHRX”. Its common shares are also traded in the U.S. on the OTCQB under the ticker symbol “LMLLF”, and in Germany on the Frankfurt exchange under the ticker “G111.F”.

The address of the Company’s registered office is 77 King Street West, Suite 2905, Toronto, Ontario, M5K 1H1, Canada.

The business of medical cannabis and psychedelics involves a high degree of risk, and there is no assurance that any prospective projects in the medical cannabis industry and psychedelic domain will be successfully initiated or implemented. Further, regulatory evolution and uncertainty may require the Company to alter its business plan to react to regulatory changes.

For the year three months ended March 31, 2022, the Company incurred a net loss of $2,057,604 and negative cash flow from operations of $1,252,499, and as at March 31, 2022, the Company had an accumulated deficit of $21,461,632 (December 31, 2021 – deficit of $19,404,028). The Company’s ability to continue as a going concern is dependent upon the Company achieving profitable operations to generate sufficient cash flows to fund continuing operations, or, in the absence of adequate cash flows from operations, obtaining additional financing to support operations for the foreseeable future. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. The unpredictability of the medical cannabis and psychedelic business, and the continued evolution of the coronavirus (“COVID-19”) pandemic represent material uncertainties which may cast significant doubt upon the Company’s ability to continue as a going concern.

These unaudited condensed interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, and do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues and expenses, and classifications of statements of financial position that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. Basis of Presentation

(a) Statement of Compliance

The Company’s unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 – Interim Financial Reporting. Accordingly, they do not include all of the information and disclosures required by IFRS for annual financial statements.

These unaudited condensed interim consolidated financial statements were reviewed, approved, and authorized for issuance by the Board of Directors (the “Board”) of the Company on May 30, 2022.

2. Basis of Presentation (continued)

(b) Basis of Measurement

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

(c) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries, as follows:

Name	Jurisdiction	Percentage Owned
Pharmadrug Inc.	Ontario, Canada	100%
Aura Health Corp.	Ontario, Canada	100%
Interrobang Ltd.	Ontario, Canada	100%
Sairiyo Therapeutics Inc.	Ontario, Canada	100%
Green Global Properties Inc.	Delaware, U.S.	100%
Interrobang Online Ltd.	Delaware, U.S.	100%
Pharmadrug Production GmBH	Hamburg, Germany	100%
Interrobang Tiel B.V.	Tiel, Netherlands	100%

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are-deconsolidated from the date control ceases. These unaudited condensed interim consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

(d) Functional Currency

These unaudited condensed interim consolidated financial statements are presented in Canadian dollars ("$" or "CAD"), which is the Company's functional currency. The functional currency is the currency of the primary economic environment in which the Company operates. The functional currency of the subsidiaries is: (i) CAD for Aura Health Corp., Interrobang Ltd. ("Interrobang"), and Sairiyo, (ii) U.S. dollar ("USD") for Green Global Properties Inc., Interrobang Online Ltd. ("Interrobang Online") and (iii) Euro ("€" or "EUR") for Pharmadrug Production and Interrobang Tiel B.V. ("Interrobang Tiel").

(e) Significant Accounting Judgments and Estimates

The preparation of these unaudited condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue, and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue, and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. These estimates are reviewed periodically, and adjustments are made as appropriate in the period they become known. Items for which actual results may differ materially from these estimates are described as follows:

Going concern

At each reporting period, management exercises judgment in assessing the Company's ability to continue as a going concern by reviewing the Company's performance, resources, and future obligations. The conclusion that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budgets, expected profitability, investment and financing activities and management's strategic planning.

2. Basis of Presentation (continued)

(e) Significant Accounting Judgments and Estimates (continued)

Going concern (continued)

The assumptions used in management's going concern assessment are derived from actual operating results along with industry and market trends. Management believes there is sufficient capital to meet the Company's business obligations for at least the next 12 months, after taking into account expected cash flows and the Company's cash position at period-end.

Business combination

In a business acquisition, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the acquisition date at their respective fair values. The date on which the acquirer obtains control of the acquiree is generally the date on which the acquirer legally transfers the consideration, acquires the assets and assumes the liabilities of the acquiree – the closing date. However, the acquirer might obtain control on a date that is either earlier or later than the closing date. Management exercises judgment in considering all pertinent facts and circumstances in identifying the acquisition date.

Classification of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business, which can be a complex judgment. Whether an acquisition is classified as a business combination or asset acquisition can have a significant impact on the entries made on and after acquisition. In determining the fair value of all identifiable assets, liabilities and contingent liabilities acquired, the most significant estimates relate to contingent consideration and intangible assets.

Management exercises judgement in estimating the probability and timing of when earn-outs are expected to be achieved which is used as the basis for estimating fair value. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied. Purchase consideration also includes consideration of any pre-existing relationships that are effectively settled as a result of the acquisition at their fair values.

Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities on the consolidated statements of financial position that cannot be derived from active markets, are determined using a variety of techniques including the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Judgments include, but are not limited to, consideration of model inputs such as volatility, estimated life and discount rates.

Estimated useful lives, depreciation of property and equipment and amortization of intangible assets

Depreciation of property and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts which take into account factors such as economic conditions, market conditions and the useful lives of assets.

Amortization of intangible assets is dependent upon estimates of useful lives and residual values which are determined through the exercise of judgment. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions.

2. Basis of Presentation (continued)

(e) Significant Accounting Judgments and Estimates (continued)

Determination of cash generating units

For the purpose of impairment testing, assets that cannot be tested individually are grouped at the lowest levels for which there are largely independent cash inflows. The Company determines which groups of assets (each a "Cash-Generating Unit" or a "CGU") can generate cash flows that are largely independent of other operations within the Company. Management exercises judgment in assessing where active markets exist including an analysis of the degree of autonomy each operation has in negotiating prices with customers. The Company has identified the German subsidiary as a separate CGU, based on the nature of the business and the assessment that the CGUs generate cash flows that are largely independent of the cash flows from other assets deployed in the Company.

Impairment

Long-lived assets, including property and equipment and intangible assets, are reviewed for indicators of impairment at each reporting period or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is defined as the higher of: (i) value-in-use; or (ii) fair value less cost to sell. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the value of goodwill has been impaired, the CGU or group of CGUs to which goodwill has been allocated is valued using present value techniques. The Company assesses impairment by comparing the recoverable amount of a long-lived asset, CGU, or CGU group to their carrying value. The determination of the recoverable amount involves significant estimates and assumptions. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

Warrants and options

Warrants and options are initially recognized at fair value, based on the application of the Black-Scholes valuation model ("Black-Scholes"). This pricing model requires management to make various assumptions and estimates which are susceptible to uncertainty, including the expected volatility of the share price, expected forfeitures, expected dividend yield, expected term of the warrants or options, and expected risk-free interest rate.

Income taxes

Income taxes and tax exposures recognized in the consolidated financial statements reflect management's best estimate of the outcome based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Company becomes aware of this difference.

In addition, when the Company incurs losses that cannot be associated with current or past profits, it assesses the probability of taxable profits being available in the future based on its budgeted forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate the sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

2. Basis of Presentation (continued)

(e) Significant Accounting Judgments and Estimates (continued)

Expected credit losses on financial assets

Determining an allowance for expected credit losses for amounts receivable and all debt financial assets not held at fair value through profit or loss ("FVTPL") requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

Provisions

The Company recognizes provisions if there is a present obligation as a result of a past event, it is probable that the Company will be required to settle the obligation and the obligation can be reliably estimated. The amount recognized as a provision reflects management's best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Research and development costs

Judgment is required to distinguish the research phase and the development phase to correctly identify costs that qualify for capitalization.

3. Summary of Significant Accounting Policies

The accounting policies applied by the Company in these unaudited condensed interim consolidated financial statements are the same as noted in the Company's audited consolidated financial statements for the year ended December 31, 2021, unless otherwise noted below.

(a) Adoption of New Accounting Standards and Amendments

The Company adopted the following amendments effective January 1, 2022. These changes were made in accordance with the applicable transitional provisions:

Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37")

In May 2020, the IASB issued amendments to update IAS 37. The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract. There was no material impact upon adoption of these amendments on the Company's unaudited condensed interim consolidated financial statements.

4. Business Acquisitions

Pharmadrug Acquisition

On February 27, 2019, the Company entered into a definitive share purchase agreement (the "Share Purchase Agreement") to acquire an 80% ownership in Pharmadrug Production (the "Pharmadrug Acquisition"), for a purchase price of €4.6 million settled in cash ($7,101,848). The seller, Anquor Pharmaceuticals Ug ("Anquor"), retains a 20% NCI in Pharmadrug Production.

In addition, the Company had advanced €400,000 (approximately $601,520) to Pharmadrug Production as a shareholder loan to assist the German subsidiary to maintain appropriate levels of working capital. The Share Purchase Agreement provides that Anquor will be entitled to receive an earn-out payment of €400,000 if the total revenues of the pharmaceutical tender business of Pharmadrug Production for the 2019 financial year are 90% or more of the total revenues of that business segment for the 2018 financial year. The earn-out, if any, was due and payable to Anquor on March 1, 2020. As at December 31, 2019, the earn-out had not been achieved. Thus, no pay-out has been made.

(Expressed in Canadian Dollars)

4. Business Acquisitions (continued)

Pharmadrug Acquisition (continued)

On May 17, 2019 (the "Acquisition Date"), the Company completed the Pharmadrug Acquisition. Goodwill of $4,605,861, which is not tax deductible, was recognized due to the expected synergies from combining operations of the Company and Pharmadrug Production. The Company determined that the Pharmadrug Acquisition was a business combination in accordance to the definition of IFRS 3 – Business Combination ("IFRS 3"), and as such, had accounted for it in accordance with this standard, with the Company being the acquirer on the Acquisition Date.

On July 14, 2021, the Company entered into a new share purchase agreement with Anquor, to acquire the 20% NCI (the "NCI Acquisition") in Pharmadrug Production, to obtain 100% ownership, for a purchase price consideration of €35,000 ($52,879) payable in cash.

On August 25, 2021, the Company completed the NCI Acquisition by transferring the purchase price consideration to Anquor.

Sairiyo Acquisition

On January 25, 2021, the Company entered into a share exchange agreement (the "Agreement") to acquire Sairiyo.

On February 2, 2021 (the "Sairiyo Acquisition Date"), the Company completed the acquisition of Sairiyo (the "Sairiyo Acquisition"). Under the terms of the Agreement, the Company acquired all the issued and outstanding shares of Sairiyo in consideration for the issuance of an aggregate of 75,000,000 units (each a "Unit") of Pharmadrug. Each Unit is comprised of one common share and one common share purchase warrant ("Warrant") of Pharmadrug. Each Warrant entitles the holder thereof to acquire one common share in the capital of Pharmadrug at any time on or before the August 2, 2022, at an exercise price of $0.10 per share.

Following completion of the Sairiyo Acquisition, Sairiyo became a wholly-owned subsidiary of Pharmadrug.

The Company determined that the Sairiyo Acquisition was a business combination in accordance to the definition of IFRS 3, and as such, had accounted for it in accordance with this standard, with the Company being the acquirer on the Sairiyo Acquisition Date.

The following table sets forth the allocation of the purchase price to the net identifiable assets acquired, based on estimates of fair value:

	$
Purchase Price Consideration Paid	
Fair value of common shares issued (i)	**6,750,000**
Fair value of warrants issued (ii)	**3,169,059**
	9,919,059
Net Identifiable Assets Acquired	
Cash	**361,982**
Intangible assets	
Patents and Licenses	**4,529,600**
Accounts payable and accrued liabilities	**(14,795)**
Deferred tax liabilities on intangible assets acquired	**(1,200,344)**
Total Net Identifiable Assets Acquired	**3,676,443**
Goodwill	**6,242,616**

(Expressed in Canadian Dollars)

4. Business Acquisitions (continued)

Sairiyo Acquisition (continued)

Consideration paid consisted entirely of shares and warrants of the Company which were measured at the estimated fair value on the Sairiyo Acquisition Date, as follows:

(i) The fair value of the 75,000,000 common shares, issued to former Sairiyo shareholders, was determined to be $6,750,000 based on the closing share price of Pharmadrug on the Sairiyo Acquisition Date of February 2, 2021.

(ii) The estimated fair value of the 75,000,000 Warrants as consideration are based on Black-Scholes with the following assumptions: current stock price – $0.09 per share, expected dividend yield – 0%, expected volatility – 109%, risk-free interest rate – 0.15%, exercise price of $0.10, and an expected life of 1.5 years. In making the assumptions for expected volatility, the Company used the estimated average volatility of comparable companies operating in the cannabis industry.

Goodwill of $6,242,616, which is not tax deductible, was recognized due to the expected synergies from combining operations of the Company and Sairiyo.

5. Other Receivables

	March 31, 2022	December 31, 2021
	$	$
Sales taxes receivable	**44,306**	35,795
Trade receivables	**23,475**	21,847
Other receivables	**68,242**	26,284
	136,023	83,926

6. Inventories

As at March 31, 2022, the Company's inventories consisted of finished goods held with Pharmadrug Production in Germany, and Interrobang Online in the U.S. For the three months ended March 31, 2022, inventories of $83,030 (2021 – $130,089) were expensed and included in cost of goods sold.

7. Prepaid Expenses

	March 31, 2022	December 31, 2021
	$	$
Prepaid insurance	**55,373**	12,312
Advances made to suppliers and deposits	**36,117**	46,081
	91,490	58,393

8. Other Investments

On July 16, 2020, the Company entered into a share exchange agreement (the "RLH Share Exchange") with Red Light Holland Corp. ("RLH"), an Ontario-based corporation positioned to engage in the production, growth and sale of magic truffles to the legal, recreational market within the Netherlands. Under the terms of RLH Share Exchange, the Company issued 9,333,333 Units to RLH at a price of $0.075 per Unit, and RLH issued 4,242,424 units (the "RLH Units") to Pharmadrug. Each RLH Unit is comprised of one common share in the capital of RLH (a "RLH Share") and one RLH share purchase warrant (a "RLH Warrant"). Each RLH Warrant entitles the Company to purchase one additional RLH Share at an exercise price of $0.26 for 48 months from issuance of the RLH Warrant, subject to an accelerated expiry option. On completion of the RLH Share Exchange, the RLH Shares and RLH Warrants were valued at $305,836 and $253,252, respectively, and were classified at FVTPL.

(Expressed in Canadian Dollars)

8. Other Investments (continued)

In January 2021, the Company disposed of the RLH Shares for total proceeds of $1,214,454 and recorded a realized gain of $903,060 and a fair value decrease of $982,545 upon disposal.

As at March 31, 2022, the RLH Warrants were measured at a fair value of $195,811 (December 31, 2021 – $337,387) using Black-Scholes with the following market inputs and assumptions: share price of $0.105, exercise price of $0.26, expected historical volatility of 114% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 2.28% and an estimated remaining life of 2.30 years. During the three months ended March 31, 2022, the Company recorded a fair value decrease of $141,576 (2021 – fair value increase of $56,844) on the RLH Warrants.

9. Property and Equipment

	Right-of-use assets	Office equipment	Total
	$	$	$
Cost at:			
December 31, 2020	156,866	53,409	**210,275**
Additions	56,799	-	**56,799**
Effects of foreign exchange on translation	(13,904)	(3,518)	**(17,422)**
December 31, 2021	199,761	49,891	**249,652**
Additions	-	1,579	**1,579**
Effects of foreign exchange on translation	(7,468)	(2,527)	**(9,995)**
March 31, 2022	**192,293**	**48,943**	**241,236**
Accumulated depreciation at:			
December 31, 2020	69,759	18,503	**88,262**
Depreciation	61,148	9,589	**70,737**
Effect of foreign exchange on translation	(7,240)	(1,726)	**(8,966)**
December 31, 2021	123,667	26,366	**150,033**
Depreciation	20,536	2,322	**22,858**
Effect of foreign exchange on translation	(5,131)	(1,043)	**(6,174)**
March 31, 2022	**139,072**	**27,645**	**166,717**
Net book value:			
December 31, 2021	76,094	23,525	**99,619**
March 31, 2022	**53,221**	**21,298**	**74,519**

(Expressed in Canadian Dollars)

10. Intangible Assets and Goodwill

	Licenses and Permits	Patent	Supply Relationship	Software	Goodwill	Total
	$	$	$	$	$	$
Cost at:						
December 31, 2020	5,946,423	-	421,416	-	4,589,084	10,956,923
Addition	-	-	-	42,718	-	42,718
Acquired on business	-	4,529,600	-	-	6,242,616	10,772,216
Effects of f/x on translation	(468,791)	-	(32,859)	487	(357,824)	(858,987)
December 31, 2021	5,477,632	4,529,600	388,557	43,205	10,473,876	20,912,870
Addition	-	-	-	-	-	-
Effects of f/x on translation	(204,778)	-	(14,526)	(620)	(158,183)	(378,107)
March 31, 2022	**5,272,854**	**4,529,600**	**374,031**	**42,585**	**10,315,693**	**20,534,763**
Accumulated depreciation at:						
December 31, 2020	1,938,496	-	137,610	-	-	2,076,106
Amortization	1,128,793	-	80,071	3,428	-	1,212,292
Effects of f/x on translation	(189,138)	-	(13,501)	39	-	(202,600)
December 31, 2021	2,878,151	-	204,180	3,467	-	3,085,798
Amortization	270,322	-	19,176	2,804	-	292,302
Effects of f/x on translation	(114,276)	-	(8,108)	(87)	-	(122,471)
March 31, 2022	**3,034,197**	**-**	**215,248**	**6,184**	**-**	**3,255,629**
Net book value:						
December 31, 2021	2,599,481	4,529,600	184,377	39,738	10,473,876	17,827,072
March 31, 2022	**2,238,657**	**4,529,600**	**158,783**	**36,401**	**10,315,693**	**17,279,134**

11. Accounts Payable and Accrued Liabilities

	March 31, 2022	December 31, 2021
	$	$
Trade payables	**279,184**	249,002
Accrued liabilities	**269,804**	188,174
	548,988	437,176

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for trade purchases incurred in the normal course of business.

12. Lease Liabilities

As part of the German operations under Pharmadrug Production, the Company is party to the following lease agreements:

(i) A lease for its office in Rostock, Germany expiring in June 2022.
(ii) A lease for office equipment expiring in December 2023.
(iii) A lease for a vehicle expiring in February 2022.
(iv) A lease for a vehicle expiring in February 2023.
(v) Leases for office equipment expiring September 2026.
(vi) Lease for office space expiring June 2022.

(Expressed in Canadian Dollars)

12. Lease Liabilities (continued)

In the Netherlands, the Company is party to a lease for its retail location in the town of Tiel, in central Netherlands, expiring in September 2022. However, in line with management's strategic decision, this lease was cancelled at the end of March 2022, with the right-of-use ("ROU") asset balance fully amortized and outstanding lease liability written off to the consolidated financial statements.

The movements and carrying amounts of the Company's ROU assets under leases as per disclosed in Note 9, are summarized as follows:

	Buildings and leaseholds	Office equipment	Total
	$	$	$
Cost at:			
December 31, 2020	106,032	50,834	**156,866**
Additions	10,426	46,373	**56,799**
Effects of foreign exchange on translation	(25,898)	11,994	**(13,904)**
December 31, 2021	90,560	109,201	**199,761**
Additions	-	-	**-**
Effects of foreign exchange on translation	(3,386)	(4,082)	**(7,468)**
March 31, 2022	**87,174**	**105,119**	**192,293**
Accumulated depreciation at:			
December 31, 2020	45,683	24,076	**69,759**
Depreciation	30,295	30,853	**61,148**
Effect of foreign exchange on translation	(17)	(7,223)	**(7,240)**
December 31, 2021	75,961	47,706	**123,667**
Depreciation	7,165	13,371	**20,536**
Effect of foreign exchange on translation	(3,017)	(2,114)	**(5,131)**
March 31, 2022	**80,109**	**58,963**	**139,072**
Net book value:			
December 31, 2021	14,599	61,495	**76,094**
March 31, 2022	**7,065**	**46,156**	**53,221**

The following table reflects the reconciliation of the lease liabilities as at March 31, 2022 and 2021:

	$
Lease liabilities, January 1, 2021	**92,754**
Lease payments	**(17,035)**
Effects of foreign exchange	**(1,748)**
Lease liabilities, March 31, 2021	**73,971**

	$
Lease liabilities, January 1, 2022	**79,994**
Lease payments	**(16,362)**
Interest on lease obligations	**110**
Lease derecognized	**(6,416)**
Effects of foreign exchange	**(2,309)**
Lease liabilities, March 31, 2022	**55,017**

(Expressed in Canadian Dollars)

12. Lease Liabilities (continued)

	$
Current	**24,406**
Non-current	**30,611**
	55,017

The lease liabilities are secured by the related underlying assets. Future minimum lease payments as at March 31, 2022 are as follows:

	Total	Within 1 year	1 to 2 years	2 to 3 years	3 to 5 years
	$	$	$	$	$
Lease payments	**13,318**	13,318	-	-	-
	13,318	**13,318**	**-**	**-**	**-**

13. Convertible Debentures

(a) Pharmadrug Debentures

On May 25, 2020 and as amended on June 12, 2020, the Company entered into a definitive agreement (the “Amalgamation Agreement”) with Interrobang d/b/a Super Smart, pursuant to which Pharmadrug acquired all of the issued and outstanding shares of Super Smart, effected by way of a three-cornered amalgamation between Pharmadrug, Super Smart and a wholly-owned subsidiary of Pharmadrug (the “Super Smart Transaction”).

On June 15, 2020 (the “Super Smart Transaction Date”), the Super Smart Transaction closed. Pursuant to the terms of the Super Smart Transaction, each Super Smart share, warrant or finder’s warrants was exchanged for one equivalent security in the capital of Pharmadrug. Super Smart previously issued on May 23, 2020, 2,500 subscription receipts (the “Debentures Subscription Receipts”) for an outstanding principal amount of $2,500,000 of senior secured convertible debentures (the “Super Smart Debentures”). Each Debentures Subscription Receipt entitles the holder to receive, without payment of any additional consideration or further action, and subject to adjustment, one 12% senior secured Super Smart Debenture automatically immediately prior to the completion of the Super Smart Transaction.

On completion of the Super Smart Transaction, the Debentures Subscription Receipts were converted into the Super Smart Debentures, which were then exchanged pursuant to their terms into debentures of Pharmadrug (the “Pharmadrug Debentures”) which bear interest at a rate of 12% per annum from the date of issue payable monthly in cash and ranking pari passu with one another. The Pharmadrug Debentures are secured by first ranking security of Super Smart and second ranking security of Pharmadrug. The Pharmadrug Debentures mature three years from the issuance date, on May 19, 2023 (the “Maturity Date”).

Pharmadrug has a right to prepay or redeem a part or the entire principal amount of the Pharmadrug Debentures at par plus accrued and unpaid interest at any time by providing written notice of the date (the “Redemption Date”) for such redemption to the holder at least a minimum of 30 days and a maximum 60 days’ prior to the Redemption Date. Each Pharmadrug Debenture is convertible into units (each, a “Unit”) at the option of the holder at any time prior to the close of the third business day prior to the earlier of: (i) the Maturity Date and (ii) the Redemption Date at a price of $0.05 per Unit with each Unit consisting of one common share of Pharmadrug (the “Pharmadrug Share”) and one-half (1/2) of a common share purchase warrant (each whole warrant, a “Warrant”). Each Warrant will entitle the holder thereof to purchase one Pharmadrug Share at an exercise price of $0.05 for a period of 36 months from the date of issuance of the Pharmadrug Debentures.

From the period from the completion of the amalgamation to December 31, 2020, holders had converted a combined total of $2,215,000, principal amount of the Pharmadrug Debentures resulting in the issuance of 44,300,000 Units of the Company. On conversions, the Company reduced the carrying amount of the liability by $2,215,000.

During the three months ended March 31, 2021, the remaining principal amount of $285,000 of the Pharmadrug Debentures were converted by holders into 5,700,000 Units of the Company (see Notes 14 and 16).

(Expressed in Canadian Dollars)

13. Convertible Debentures (continued)

(b) Replacement Debentures

On July 17, 2020, the Company completed a restructuring on certain of its outstanding indebtedness (the "Restructuring"). Under the terms of the Restructuring, (i) a $400,000 principal amount of an unsecured convertible debentures plus accrued interest of $45,632, and (ii) a $400,000 principal amount of promissory notes previously owing to the Chief Executive Company ("CEO") and an arm's length third-party plus accrued interest of $139,209, were exchanged for an aggregate of $1,005,620 principal amount of the Replacement Debentures. The Replacement Debentures bear interest at a rate of 12% per annum, payable annually in arrears, and are due on July 17, 2023. The Replacement Debentures are convertible into Units at a price of $0.05 per Unit. Each Unit is comprised of one common share and one-half (1/2) of a Warrant exercisable into one common share at $0.07 per share at any time on or before July 17, 2023.

The present value of the Replacement Debentures was valued at $791,460, with the present value of the old debts determined to be $1,005,620 (as the debts were already due on demand, and with the unsecured convertible debentures approaching its maturity, their respective carrying amounts were taken as their present value at the time of the exchange).

The Replacement Debentures are compound financial instruments. On initial recognition, the residual value method was used to allocate the fair value of the debt and equity components. The face value of the liability was calculated using a discount rate of 20%.

The difference between the principal amount of the Replacement Debentures and the discounted cash flows is allocated to the conversion feature, which was classified within equity, using the residual value method. Accretion of the liability portion and interest payable on the Replacement Debentures are included in finance costs in the consolidated statements of loss and comprehensive loss.

On December 18, 2020, a principal amount of $134,802 of the Replacement Debentures were converted into 2,696,045 Units of the Company at a conversion price of $0.05 when the carrying of the liability was $115,047.

During the three months ended March 31, 2022, the Company had recorded an interest and accretion expense of $40,559 (2021 – $35,434) on the Replacement Debentures which is included in finance costs on the consolidated financial statement. Interest payment on the Replacement Debentures made during the three months ended March 31, 2022, was $nil (2021 – $1,635).

The following table reflects the continuity of convertible debentures as at March 31, 2022 and 2021:

	$
Balance, December 31, 2020	**1,033,082**
Conversion of Pharmadrug debentures into common shares	(285,000)
Interest and accretion expense	35,434
Payment of interest on debentures	(1,635)
Balance, March 31, 2021	**781,881**

	$
Balance, December 31, 2021	**786,374**
Interest and accretion expense	40,559
Balance, March 31, 2022	**826,933**

(Expressed in Canadian Dollars)

14. Share Capital

Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value.

Common shares issued and outstanding as at March 31, 2022 and 2021 are as follows:

	Number of common shares #	Amount $
Balance, December 31, 2020	**241,632,183**	**21,831,792**
Shares issued on conversion of Pharmadrug Debentures[a]	5,700,000	213,993
Shares issued on acquisition of Sairiyo[b]	75,000,000	6,750,000
Shares issued from exercise of options[c]	850,000	135,724
Shares issued from exercise of warrants[d]	14,481,400	1,370,902
Shares issued from exercise of finders' warrants[e]	1,352,800	126,270
Balance, March 31, 2021	**339,016,383**	**30,428,681**
	#	**$**
Balance, December 31, 2021	**340,816,383**	**30,606,969**
Shares issued for services [f]	3,400,000	170,000
Balance, March 31, 2022	**344,216,383**	**30,776,969**

Share capital transactions for the three months ended March 31, 2021

(a) During the three months ended March 31, 2021, the remaining principal amount of $285,000 of the Pharmadrug Debentures were converted into 5,700,000 Units of the Company at a price of $0.05 per share. Each Unit is comprised of one common share of the Company and one-half (1/2) of a Warrant exercisable at $0.05 for a a period of 36 months from the date of issuance of the Pharmadrug Debentures (see Note 13(a)).

(b) On February 2, 2021, the Company issued 75,000,000 Units in exchange for common shares of Sairiyo on closing of the Sairiyo Acquisition (see Note 4). Each Unit is comprised of one common share of the Company and one Warrant exercisable at a price of $0.10 for 18 months from closing of the Sairiyo Acquisition.

(c) During the three months ended March 31, 2021, 850,000 common shares were issued as a result of the exercise of options for cash proceeds of $72,250.

(d) During the three months ended March 31, 2021, 14,481,400 common shares were issued as a result of the exercise of Warrants for cash proceeds of $724,070.

(e) During the three months ended March 31, 2021, 1,352,800 common shares were issued as a result of the exercise of Finders' Warrants for cash proceeds of $67,640.

Share capital transactions for the three months ended March 31, 2022

(f) On January 18, 2022, the Company issued 3,400,000 common shares to a service provider as part of consideration for marketing services to be provided by the vendor. These common shares were valued at $170,000 based on the closing share price on the day of issuance.

(Expressed in Canadian Dollars)

15. Reserve for Share-Based Payments

The Company maintains a stock option plan (the "Option Plan") whereby certain key officers, directors and consultants may be granted stock options for common shares of the Company. The maximum number of common shares that are issuable under the Option Plan is limited to 10% of the number of issued and outstanding common shares. Under the Option Plan, the exercise price of each option may not be less than the closing price of the Company's shares on the trading day prior to the grant date or the grant date itself, whichever is higher. Vesting of options is determined at the discretion of the Board.

As at March 31, 2022, the Company had 8,571,638 common shares available for issuance under the Option Plan.

The following summarizes the stock option activity for the three months ended March 31, 2022 and 2021:

	March 31, 2022		March 31, 2021	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of period	**22,100,000**	**0.09**	16,350,000	0.09
Granted	**3,750,000**	**0.05**	5,200,000	0.085
Exercised	**-**	**-**	(850,000)	0.085
Expired	**-**	**-**	(350,000)	0.235
Outstanding, end of period	**25,850,000**	**0.07**	20,350,000	0.08
Exercisable, end of period	**24,850,000**	**0.07**	12,308,333	0.09

Option grants for the three months ended March 31, 2021

On February 4, 2021, the Company granted 4,250,000 options to various officers and directors of the Company at an exercise price of $0.085, expiring on February 4, 2026. The options vest one-third increments after three months, six months, and 12 months until fully vested. The Company also granted 950,000 options to two consultants for services provided at an exercise price of $0.085, expiring on February 4, 2026. The options vested immediately on grant. The options were valued using Black-Scholes with the following assumptions: expected volatility of 132% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 0.47%, forfeiture rate of 0% and an expected life of five years. The grant date fair value attributable to these options was $380,523, of which $9,234 was recorded as share-based compensation in connection with the vesting of these options during the three months ended March 31, 2022 (2021 – $180,706).

Option grants for the three months ended March 31, 2022

On January 18, 2022, the Company granted 3,000,000 options to a consultant for services provided at an exercise price of $0.05, expiring on January 18, 2023. The options vested immediately on grant. The options were valued using Black-Scholes with the following assumptions: expected volatility of 189% based on historical share prices of the Company, expected dividend yield of 0%, risk-free rate of 1.27%, forfeiture rate of 0% and an expected life of two years. The grant date fair value attributable to these options of $98,481 was recorded as the share-based compensation during the three months ended March 31, 2022.

On January 18, 2022, the Company also granted 750,000 options to another consultant for services provided at an exercise price of $0.05, expiring on January 18, 2024. The options vested immediately on grant. The options were valued using Black-Scholes with the following assumptions: expected volatility of 189% based on historical share prices of the Company, expected dividend yield of 0%, risk-free rate of 1.07%, forfeiture rate of 0% and an expected life of one year. The grant date fair value attributable to these options of $30,762 was recorded as the share-based compensation during the three months ended March 31, 2022.

(Expressed in Canadian Dollars)

15. Reserve for Share-Based Payments (continued)

The following table summarizes information of stock options outstanding and exercisable as at March 31, 2022:

Date of expiry	Number of options outstanding	Number of options exercisable	Exercise price	Weighted average remaining contractual life
	#	#	$	Years
January 18, 2023	3,000,000	3,000,000	0.05	0.80
January 18, 2024	750,000	750,000	0.05	1.80
May 31, 2025	5,500,000	5,500,000	0.11	3.17
August 31, 2025	8,500,000	8,500,000	0.05	3.42
December 8, 2025	1,000,000	1,000,000	0.05	3.69
February 4, 2026	4,350,000	4,350,000	0.085	3.85
May 12, 2026	2,000,000	1,250,000	0.09	4.12
August 30, 2026	750,000	500,000	0.06	4.42
	25,850,000	**24,850,000**	**0.07**	**3.18**

16. Reserve for Warrants

The following summarizes the warrant activity for the three months ended March 31, 2022 and 2021:

	March 31, 2022		March 31, 2021	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted Average exercise
	#	$	#	$
Outstanding, beginning of period	**110,422,328**	**0.09**	68,493,942	0.12
Issued from business acquisition	-	-	75,000,000	0.10
Issued from conversion of debentures	-	-	2,850,000	0.05
Exercised	-	-	(15,157,800)	0.05
Expired	-	-	(5,869,159)	0.25
Outstanding, end of period	**110,422,328**	**0.09**	68,493,942	0.12

Warrant issuances for the three months ended March 31, 2021

On February 2, 2021, the Company issued 75,000,000 Warrants to warrant holders of Sairiyo on completion of the Sairiyo Acquisition (see Note 4).

During the three months ended March 31, 2021, the remaining principal amount of $285,000 of the Pharmadrug Debentures were converted into 5,700,000 Units, where 2,850,000 Warrants exercisable at $0.05 were issued (see Note 13(a)).

Warrant issuances for the three months ended March 31, 2022

There were no warrant issuances during the three months ended March 31, 2022.

(Expressed in Canadian Dollars)

16. Reserve for Warrants (continued)

The following table summarizes information of warrants outstanding as at March 31, 2022:

Date of expiry	Number of warrants outstanding	Exercise price	Weighted average remaining contractual life
	#	$	Years
August 2, 2022	75,000,000	0.10	0.34
June 12, 2023	9,415,760	0.05	1.20
June 15, 2023	5,440,000	0.05	1.21
July 17, 2023	7,218,545	0.07	1.30
July 17, 2023	1,348,023	0.05	1.30
July 16, 2024	3,600,000	0.08	2.30
July 16, 2024	8,400,000	0.13	2.30
	110,422,328	**0.09**	**0.74**

17. Key Management Personnel Compensation and Related Party Transactions

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing, and controlling the activities of an entity, directly or indirectly.

Key management personnel compensation

The remuneration of directors and other members of key management personnel for the three months ended March 31, 2022 and 2021 were as follows:

	2022	2021
	$	$
Management salaries and consulting fees	**126,129**	35,794
Professional fees	**30,000**	47,500
Share-based compensation	**34,327**	149,278
	190,456	226,778

Effective September 1, 2020, Pharmadrug and the CEO entered into an executive agreement, whereas the Company agreed to pay an annual base salary of $120,000 for CEO services. The annual base salary shall be increased to $180,000, exclusive of bonuses, benefits and other compensation once the Company has raised a minimum of $1,500,000. During the three months ended March 31, 2022, the Company recorded management salaries of $30,000 (2021 – $30,000) in relation to the CEO's employment compensation. As at March 31, 2022, no balance was owed to the CEO (December 31, 2021 – $nil).

Effective May 1, 2021, Pharmadrug and the Chief Scientific Officer ("CSO") of the Company entered into an executive employment agreement, whereas the Company agreed to pay an annual base salary of $140,000 for his services. The annual base salary shall be increased to $182,000, exclusive of bonuses, benefits and other compensation once the Company has raised a minimum of $2,000,000 in equity. During the three months ended March 31, 2022, the Company recorded management salaries of $35,000 in relation to the CSO's employment compensation (2021 – $nil). During the three months ended March 31, 2021, the CSO also charged fees of $5,794 for providing CSO-consulting services to the Company prior to his appointment. As at March 31, 2022, no balance was owed to the CSO (December 31, 2021 – $1,893 included in accounts payable and accrued liabilities).

17. Key Management Personnel Compensation and Related Party Transactions (continued)

Key management personnel compensation (continued)

Effective January 10, 2022, Pharmadrug and the Vice President of Clinical Development ("VP – Clinical Development") of the Company entered into an employment agreement, whereas the Company agreed to pay an annual base salary of $160,000 for his services, and a one-time signing bonus of $25,000. The annual base salary shall be increased to $175,000, exclusive of bonuses, benefits and other compensation once the Company has raised a minimum of $3,000,000 in financing, and to $190,000 once the Company has raised a minimum of $5,000,000 in financing. During the three months ended March 31, 2022, the Company recorded management salaries of $36,129 and the signing bonus of $25,000 in relation to the VP – Clinical Development's employment compensation. As at March 31, 2022, no balance was owed to the VP – Clinical Development.

During the year three months ended March 31, 2022, Branson Corporate Services Ltd. ("Branson"), where the Chief Financial Officer ("CFO") and Corporate Secretary of the Company is employed, charged fees of $30,000 (2021 – $47,500), for providing CFO services to the Company, as well as other accounting and administrative services. As at March 31, 2022, $16,227 (December 2021 – $nil) was owed to Branson and included in accounts payable and accrued liabilities). The amount outstanding is unsecured, non-interest bearing and due on demand.

Share-based compensation

On August 31, 2020, the Company granted 3,000,000 options to the CEO at an exercise price of $0.05, expiring on August 31, 2025. The options vested immediately on grant. The Company also granted 5,500,000 options to its other officers and directors under the same terms and expiry, of which these options vest in one-third increments after six months, 12 months and 18 months until fully vested. The grant date fair value attributable to these options was $239,486, of which $5,197 was recorded as share-based payments in connection with the vesting of these options during the three months ended March 31, 2022 (2021 – $38,091).

On February 4, 2021, the Company granted 4,250,000 options to various officers and directors at an exercise price of $0.085, expiring on February 4, 2026. These options vest in one-third increments after three months, six months and 12 months until fully vested. The grant date fair value attributable to these options was $311,004, of which $9,234 was recorded as share-based compensation in connection with the vesting of these options during the three months ended March 31, 2022 (2021 – $111,187).

On May 12, 2021, the Company granted 2,000,000 options to the CSO at an exercise price of $0.09, expiring on May 12, 2026. 500,000 of these options vested immediately on grant, with the remaining options to vest in two equal halves after six and 12 months until fully vested. The grant date fair value attributable to these options was $136,277, of which $12,601 was recorded as share-based compensation in connection with the vesting of these options during the three months ended March 31, 2022.

On August 30, 2021, the Company granted 750,000 options to a director at an exercise price of $0.06, expiring on August 30, 2026. 250,000 of these options vested immediately on grant, with the remaining options to vest in two equal halves after six and 12 months until fully vested. The grant date fair value attributable to these options was $38,223, of which $7,296 was recorded as share-based compensation in connection with the vesting of these options during the three months ended March 31, 2022.

18. Non-Controlling Interest

On August 25, 2021, the Company acquired the remaining 20% NCI interest in Pharmadrug Production for a purchase consideration of €35,000 ($52,879), increasing its ownership from 80% to 100%. The carrying amount of the NCI on the date of acquisition was $1,004,463.

For the three months ended March 31, 2021, the Company recorded a net loss of $92,800 attributable to the NCI.

19. Capital Management

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the development of its planned business activities. The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned business activities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's objective when managing capital is to obtain adequate levels of funding to support its business activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the development of its business. The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements and issuance of convertible debentures. There can be no assurance that the Company will be able to continue raising capital in this manner.

The Company is not subject to externally imposed capital requirements.

20. Financial Risks

The Company is exposed to various risks as it relates to financial instruments. Management, in conjunction with the Board, mitigates these risks by assessing, monitoring and approving the Company's risk management process. There have not been any changes in the nature of these risks or the process of managing these risks from the previous reporting periods.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and other receivable, which expose the Company to credit risk should the borrower default on maturity of the instruments. Cash is held with reputable chartered banks in Canada, Germany, Netherlands, and the U.S. Management believes that the credit risk concentration with respect to financial instruments included in cash and other receivables is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing and investing activities.

As at March 31, 2022, the Company had a cash balance of $77,258 (December 31, 2021 – $957,984) and liquid investments valued at $195,811 (December 31, 2021 – $337,387), to settle current liabilities of $573,394 (December 31, 2021 – $479,850).

20. Financial Risks (continued)

Liquidity risk (continued)

As at March 31, 2022, the Company had the following contractual obligations:

	Less than 1 year	1 to 3 years	3 to 5 years	Total
	$	$	$	$
Accounts payable and accrued liabilities	548,988	-	-	**548,988**
Lease liabilities	24,406	30,611	-	**55,017**
Provisions	-	93,387	-	**93,387**
Convertible debentures	-	826,933	-	**826,933**
Total	**573,394**	**950,931**	-	**1,524,325**

The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows for a rolling period of 12 months to identify financial requirements. Where insufficient liquidity may exist, the Company may pursue various debt and equity instruments for short or long-term financing of its operations.

Management believes there will be sufficient capital to meet short-term business obligations, after taking into account cash flow requirements from operations, the Company's cash position as at period end, and its strategic financing plan over the next 12 months.

Market risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments and unfavorable market conditions could result in dispositions of investments at less than favorable prices. A 10% change in the fair value of the Company's other investments would impact net income or loss by approximately $20,000 based upon balances as at March 31, 2022.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's notes payable and convertible debentures have fixed interest rates. As at March 31, 2022, the Company had no hedging agreements in place with respect to floating interest rates.

Foreign exchange risk

Foreign exchange risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. The Company has operations in Europe and in the U.S. where there are financial instruments and transactions denominated in foreign currencies, notably in EUR and USD. The Company's primary exposure to foreign exchange risk is that transactions denominated in EUR and USD may expose the Company to the risk of exchange rate fluctuations.

COVID-19

In December 2019, COVID-19 surfaced in Wuhan, China. The World Health Organization declared a global emergency on January 30, 2020 with respect to the outbreak then characterized it as a pandemic on March 11, 2020. The outbreak has spread throughout the world and there have been cases of COVID-19 in Canada and the U.S. and has continued to cause companies and various international jurisdictions to impose restrictions, such as quarantines, closures, cancellations and travel restrictions. The duration of the business disruptions internationally and related financial impact to the global economy remains highly uncertain at this time, as COVID-19 continues to evolve.

(Expressed in Canadian Dollars)

20. Financial Risks (continued)

COVID-19 (continued)

The Company's German operations had been impacted by limited supply of cannabis products caused by continued shipment delays from the Netherlands. While COVID-19 lockdown restrictions are being gradually lifted, the extent to which the COVID-19 pandemic impacts the Company's financial results will depend on future developments, which remain highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the COVID-19 pandemic and actions taken to contain it or its impact, among others.

These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada, Germany, the U.S. and other countries to fight the virus. While the extent of the impact remains unknown, the Company anticipates this outbreak may continue to cause supply chain disruptions, and increased government regulations, all of which may negatively impact the Company's business and financial condition.

Fair value

Fair value estimates of financial instruments are made at a specific point in time based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values. The Company's financial instruments consist of cash, other receivables (excluding sales tax recoverable), other investments, accounts payables, lease liabilities and convertible debentures.

The fair value of other receivables (excluding sales tax recoverable), other investments, and accounts payables are approximately equal to their carrying value due to their short-term nature. The fair values of the lease liabilities and convertible debentures approximate their carrying amounts as they were measured taking into consideration comparable instruments with similar risks in determining the rates at which to discount their amount in applying their respective measurement models.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Cash	77,258	-	-	**77,258**
Other investments	-	195,811	-	**195,811**

As at March 31, 2022, the Company's financial instruments carried at fair value consisted of its cash, which is classified as Level 1, and its other investments, which have been classified as Level 2 (for investments in warrants securities). There were no transfers between Levels 2 and 3 for recurring fair value measurements during the period ended March 31, 2022, and the year ended December 31, 2021.

(Expressed in Canadian Dollars)

21. Contingencies

The Company's cannabis operations are subject to a variety of local regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations in that specific state or local jurisdiction. In Germany, the legalization of medical cannabis in March 2017 gave rise to a formal medical cannabis program nationwide. However, Germany does not currently have a legally permissible adult-use, or recreational cannabis market. While management believes that the Company is in compliance with applicable local and state regulations as at March 31, 2022, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

The Company may, from time to time, be subject to various administrative, regulatory, and other legal proceedings arising in the ordinary course of business. Liabilities associated with legal proceedings are recorded when (i) the liabilities are a result of a past event, (ii) it is probable that an outflow of resources will be required to settle the obligations, and (iii) a reliable estimate can be made of the amount of obligation.

As at March 31, 2022, the Company had the following claims:

- On August 20, 2019, THoR Beteiligungen GmbH ("THoR") incorrectly transferred an amount of €6,804 to Pharmadrug Production's business account and subsequently demanded its repayment. On October 22, 2019, Pharmadrug Production declared that the Company would offset this amount against a counterclaim against THoR, which subsequently issued a notice of assignment, according to which the claim had been assigned to Pharmadrug International GmbH ("Pharmadrug International") on September 27, 2019. Pharmadrug International has since filed a claim for repayment of a mismatch transfer against Pharmadrug Production for the same amount.
- On February 21, 2020, Thor Investments GmbH ("Thor Investments") filed a lawsuit with Pharmadrug Production for a repayment of a loan in the amount of €34,222 plus interest. The loan with Thor Investments dates back to March 2019.

As at March 31, 2022, the Company had recorded a provision of approximately $69,000 (€50,000) for the estimated potential damages and liabilities that it expects to pay out.

22. Segmented Information

As at March 31, 2022, the Company's operations comprise of the corporate division in Canada, the distribution operations of medical cannabis in Germany, the retail Smart Shop in the Netherlands, and the Online Slim Winkel business in the U.S. As at and for the three months ended March 31, 2022 and 2021, the breakdown between operations in Canada, Germany, Netherlands and the U.S. are as follows:

As at and for the three months ended March 31, 2022

	Canada	Germany	Netherlands	U.S.	Total
	$	$	$	$	$
Non-current assets	10,772,215	6,533,908	11,128	36,402	17,353,653
Revenue	-	101,813	-	864	102,677

As at and for the three months ended March 31, 2021

	Canada	Germany	Netherlands	Total
	$	$	$	$
Non-current assets	9,995,997	8,162,881	33,904	18,192,782
Revenue	-	136,655	-	136,655

(Expressed in Canadian Dollars)

23. Finance Costs

Finance costs during the three months ended March 31, 2022 and 2021, are composed of the following:

	2022	**2021**
	$	**$**
Interest on lease liabilities (Note 12)	110	-
Interest on Pharmadrug Debentures (Note 13(a))	-	8,460
Interest on Replacement Debentures (Note 13(b))	40,559	35,434
Other interest (revenue)	750	(941)
	41,419	**42,953**

24. Reclassification of Comparative Figures

For comparative purposes, the Company had reclassed certain items on the unaudited condensed interim consolidated statements of loss and comprehensive loss and the unaudited condensed interim consolidated statements of cash flows to conform with current period's presentation.

25. Subsequent Events

Shares, options and warrants

On April 13, 2022, 500,000 stock options granted on August 30, 2020, and another 500,000 stock options granted on February 4, 2021, to a former director who resigned effective January 13, 2022, were cancelled.

On April 18, 2022, the Company issued 750,000 common shares as a result of the exercise of 750,000 Warrants for cash proceeds of $37,500.

On April 19, 2022, the Company issued 620,000 common shares as a result of the exercise of 620,000 broker options for cash proceeds of $31,000. Upon exercise of the broker options, 310,000 underlying warrants exercisable at $0.05 to purchase one common share of the Company up to June 12, 2023, were issued.

On April 21, 2022, the Company issued another 750,000 common shares as a result of the exercise of 750,000 Warrants for cash proceeds of $37,500.

On May 27, 2022, the Company closed a private placement financing through the issuance of 7,000,000 Units at a price of $0.04 per Unit, for gross proceeds of $280,000. Each Unit is comprised of one common share and one Warrant exercisable into one common share at $0.05 per share for a period of 24 months from closing.

Pharmadrug Production

On May 30, 2022, the Company entered into a share purchase agreement with Khiron Life Sciences Corp. ("Khiron" or the "Buyer"), pursuant to which Khiron acquired all shares of Phamadrug Production. As consideration, the Company was issued 5.5 million common shares in the capital of Khiron and a convertible unsecured non-interest bearing promissory note in the principal amount of $1.1 million, maturing one year from the date of issuance (the "Maturity Date"). At the end of the term, the promissory note may be payable in cash or, at the Buyer's option, repayable with Khiron's common shares at a price per share which is equal to the trailing 10-day volume-weighted average price of Khiron on the Maturity Date.

Interrobang Tiel B.V.

In line with management's strategic plan and business focus towards clinical research and development, and its functional mushrooms market in the U.S., the Company commenced closing down the European online store as well as the physical location in Tiel in Q2 2022.