PHARMADRUG INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023 AND 2022

(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 June 30, 2023	As at December 31, 2022
	$	$
Assets		
Current Assets		
Cash	**9,923**	8,555
Sales tax recoverable	**13,135**	22,928
Note receivable (Note 4)	**974,137**	974,137
Prepaid expenses	**4,559**	13,677
Other investments (Note 5)	**108,628**	320,688
Total Current Assets	**1,110,382**	1,339,985
Intangible assets (Note 6)	**4,529,600**	4,529,600
Goodwill (Note 6)	**6,242,616**	6,242,616
Total Assets	**11,882,598**	12,112,201
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Notes 7 and 14)	**987,808**	773,953
Convertible debentures – current (Note 8)	**1,575,741**	1,422,648
Total Current Liabilities	**2,563,549**	2,196,601
Provisions (Note 17)	**70,000**	70,000
Deferred tax liabilities	**1,010,344**	1,010,344
Total Liabilities	**3,643,893**	3,276,945
Shareholders' Equity		
Share capital (Note 10)	**31,217,524**	31,217,524
Equity component of convertible debentures	**248,945**	248,945
Reserve for share-based payments (Note 11)	**1,268,966**	1,367,447
Reserve for warrants (Note 12)	**710,534**	1,144,599
Accumulated other comprehensive loss	**(46,597)**	(25,007)
Accumulated deficit	**(25,160,667)**	(25,118,252)
Total Shareholders' Equity	**8,238,705**	8,835,256
Total Liabilities and Shareholders' Equity	**11,882,598**	12,112,201

Nature of operations and going concern (Note 1)
Contingencies (Note 17)
Subsequent events (Note 20)

Approved on behalf of the Board of Directors:

"Daniel Cohen" (signed)
Director

"Al Quong" (signed)
Director

PHARMADRUG INC.
Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the Three and Six Months Ended June 30, 2023 and 2022
(Expressed in Canadian Dollars)

	Three Months ended June 30, 2023	Three Months ended June 30, 2022	Six Months ended June 30, 2023	Six Months ended June 30, 2022
	$	$	**$**	$
Revenue				
Sales revenue	**-**	-	**-**	-
Cost of goods sold	**-**	-	**-**	(2,155)
Gross Profit	**-**	-	**-**	(2,155)
Expenses				
Management salaries and consulting fees (Note 14)	**42,903**	142,830	**132,276**	331,654
Professional fees (Note 14)	**149,456**	138,733	**241,177**	264,727
Office and general	**232**	6,489	**1,268**	36,915
Depreciation of property and equipment	**-**	11,145	**-**	11,956
Depreciation of right-of-use assets	**-**	-	**-**	9,075
Filing fees	**11,444**	16,473	**29,088**	28,462
Travel and promotion	**-**	72,068	**1,528**	116,670
Share-based compensation (Notes 10, 11 and 14)	**-**	9,057	**-**	342,627
Research expense	**79,440**	153,383	**92,280**	452,868
	(283,475)	(550,178)	**(497,617)**	(1,594,954)
Loss before Other Income	**(283,475)**	(550,178)	**(497,617)**	(1,597,109)
Other Expenses				
Realized loss on disposals of investments (Note 5)	**(71,760)**	-	**(128,109)**	-
Fair value change in investments (Note 5)	**2,963**	(88,709)	**161,805**	(230,285)
Finance costs (Note 19)	**(73,735)**	(41,028)	**(145,065)**	(82,604)
Other income	**-**	16,072	**7,376**	16,072
Gain on lease derecognition	**-**	-	**-**	6,416
Foreign exchange gain (losses)	**6,032**	(225,449)	**2,862**	(616,450)
	(136,500)	(339,114)	**(101,131)**	(906,851)
Net Loss from Continuing Operations	**(419,975)**	(889,292)	**(598,748)**	(2,503,960)
Discontinued Operations				
Loss from discontinued operations (Note 9)	**-**	(4,494,278)	**-**	(4,937,214)
Net Loss	**(419,975)**	(5,383,570)	**(598,748)**	(7,441,174)
Other Comprehensive Income				
Exchange gain on translation of foreign operations	**633**	67,641	**633**	234,062
Net Loss and Comprehensive Loss	**(419,342)**	(5,315,929)	**(598,115)**	(7,207,112)
Weighted Average Number of Outstanding Shares				
- Basic and diluted (Note 13)	**355,626,346**	348,500,888	**355,626,346**	346,032,350
Loss per Share from Continuing Operations				
- Basic and diluted ($) (Note 13)	**(0.002)**	(0.007)	**(0.002)**	(0.007)
Loss per Share from Discontinued Operations				
- Basic and diluted ($) (Note 13)	**-**	(0.014)	**-**	(0.014)

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 and Six Months Ended June 30, 2023 and 2022
(Expressed in Canadian Dollars)

	Three Months ended June 30, 2023	Three Months ended June 30, 2022	Six Months ended June 30, 2023	Six Months ended June 30, 2022
	$	$	**$**	$
Operating Activities				
Net loss for the period from continuing operations	**(419,975)**	(889,292)	**(598,748)**	(2,503,960)
Adjustments for non-cash items:				
Share-based compensation (Notes 10 and 11)	**-**	9,057	**-**	342,627
Depreciation on office equipment	**-**	11,145	**-**	11,956
Depreciation on right-of-use asset	**-**	-	**-**	9,072
Realized loss on disposals of investments (Note 5)	**71,760**	-	**128,109**	-
Unrealized (gain) loss on investments (Note 5)	**(2,963)**	88,709	**(161,805)**	230,285
Amortization of debenture issuance cost (Note 8)	**16,236**	-	**32,291**	-
Finance costs (Note 19)	**73,736**	41,010	**145,101**	81,678
Gain on lease derecognition	**-**	-	**-**	(6,416)
	(261,206)	(739,371)	**(455,052)**	(1,834,758)
Net change in non-cash working capital items:				
Receivables	**(3,862)**	(134,943)	**9,792**	(143,455)
Inventories	**-**	41,070	**-**	43,231
Prepaid expenses	**4,559**	61,464	**9,118**	32,199
Accounts payable and accrued liabilities (Note 7)	**130,485**	282,129	**213,856**	384,238
Cash Flows (used in) continuing operations	**(130,024)**	(489,651)	**(222,286)**	(1,518,545)
Cash Flows (used in) discontinued operations (Note 9)	**-**	(129,286)	**-**	(352,890)
Net Cash Flows (used in) Operating Activities	**(130,024)**	(618,937)	**(222,286)**	(1,871,435)
Financing Activities				
Interest payment made on debentures (Note 8)	**(6,849)**	-	**(27,389)**	-
Principal repayment made on debentures (Note 8)	**-**	-	**(96,000)**	-
Proceeds from issuance of debentures (Note 8(c))	**100,000**	-	**100,000**	-
Loan proceeds received from related party (Note 14)	**-**	1,500	**-**	1,500
Proceeds from private placement (Notes 10 and 12)	**-**	280,000	**-**	280,000
Shares issue cost on private placement (Notes 10 and 12)	**-**	(1,600)	**-**	(1,600)
Lease payments	**-**	-	**-**	(3,196)
Proceeds from exercise of warrants (Notes 10 and 12)	**-**	106,000	**-**	106,000
Cash Flows provided by (used in) continuing operations	**93,151**	385,900	**(23,389)**	382,704
Cash Flows (used in) discontinued operations (Note 9)	**-**	(25,148)	**-**	(38,314)
Net Cash Flows provided by (used in) Financing Activities	**93,151**	360,752	**(23,389)**	344,390

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 and Six Months Ended June 30, 2023 and 2022
(Expressed in Canadian Dollars)

	Three Months ended June 30, 2023	Three Months ended June 30, 2022	Six Months ended June 30, 2023	Six Months ended June 30, 2022
	$	$	**$**	$
Investing Activities				
Proceeds from dispositions of investments (Note 5)	**37,835**	-	**245,756**	-
Cash Flows provided by continuing operations	**37,835**	-	**245,756**	-
Cash Flows (used in) discontinued operations (Note 9)	**-**	(2,757)	**-**	(4,336)
Net Cash Flows provided by (used in) Investing Activities	**37,835**	(2,757)	**245,756**	(4,336)
Increase (Decrease) in cash	**962**	(260,942)	**81**	(1,531,381)
Effects of foreign exchange on cash	**600**	218,746	**1,287**	608,459
Cash, beginning of period	**8,361**	77,258	**8,555**	957,984
Cash transferred to assets held for sale	**-**	(15,780)	**-**	(15,780)
Cash, end of period	**9,923**	19,282	**9,923**	19,282

PHARMADRUG INC.

Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the Three and Six Months Ended June 30, 2023 and 2022
(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	Total
	#	$	$	$	$	$	$	$
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**
Units and warrants issued on private placements (Notes 10 and 12)	7,000,000	165,896	-	-	114,104	-	-	280,000
Share issue costs (Notes 10 and 12)	-	(1,545)	-	-	(1,062)	-	-	(2,607)
Broker warrants issued on private placements (Note 12)	-	-	-	-	1,007	-	-	1,007
Shares issued for services (Note 10)	3,400,000	170,000	-	-	-	-	-	170,000
Share-based compensation (Note 11)	-	-	-	172,627	-	-	-	172,627
Expiry and cancellation of stock options (Note 11)	-	-	-	(49,584)	-	-	49,584	-
Exercise of warrants (Notes 10 and 12)	2,120,000	207,505	-	-	(101,505)	-	-	106,000
Exchange gain on translation of foreign operations	-	-	-	-	-	234,062	-	234,062
Net loss for the period	-	-	-	-	-	-	(7,441,174)	(7,441,174)
Balance, June 30, 2022	**353,336,383**	**31,148,825**	**248,945**	**1,365,318**	**4,305,266**	**112,493**	**(26,795,618)**	**10,385,229**
Balance, December 31, 2022	**355,626,346**	**31,217,524**	**248,945**	**1,367,447**	**1,144,599**	**(25,007)**	**(25,118,252)**	**8,835,256**
Expiry of stock options (Note 11)	-	-	-	(98,481)	-	-	98,481	-
Expiry of warrants (Note 12)	-	-	-	-	(435,629)	-	435,629	-
Warrants issued with convertible debentures (Notes 8 and 12)	-	-	-	-	1,564	-	-	1,564
Exchange gain on translation of foreign operations	-	-	-	-	-	633	-	633
Net loss for the period	-	-	-	-	-	-	(598,748)	(598,748)
Reclass of subsidiary's OCI on disposal	-	-	-	-	-	(22,223)	22,223	-
Balance, June 30, 2023	**355,626,346**	**31,217,524**	**248,945**	**1,268,966**	**710,534**	**(46,597)**	**(25,160,667)**	**8,238,705**

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 and naturally derived approved drugs. The Company owns 100% of 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.") and Europe. The Company also owns Interrobang Ltd. ("Interrobang") doing business as Super Smart, an entity building a vertically integrated retail business with the goal to elevate the use of functional mushrooms as natural based medicines.

The Company's common shares are listed on the Canadian Securities Exchange under the trading symbol "PHRX". Its shares are also traded in the U.S. on the OTCQB under the ticker symbol "LMLLF". The address of the Company's registered office is 77 King Street West, Suite 2905, Toronto, Ontario, M5K 1H1, Canada.

The business of research, development and commercialization of natural medicines involves a high degree of risk, and there is no assurance that any prospective projects in these domains will be successfully initiated or implemented. Further, regulatory evolution and uncertainty may require the Company to alter its business plan to react to unforeseen changes.

For the six months ended June 30, 2023, the Company incurred a net loss of $598,748 and negative cash flow from operations of $222,286, and as at June 30, 2023, the Company had an accumulated deficit of $25,160,667 (December 31, 2022 – deficit of $25,118,252). 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, and deferring repayment on convertible debentures due within the next 12 months. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. These conditions, and the unpredictability of the research, development and commercialization of natural medicines business, 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.

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 August 23, 2023.

(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.

2. Basis of Presentation (continued)

(c) Reclassification

Certain comparative figures have been reclassified to conform to the current period's presentation on the unaudited condensed interim consolidated statements of loss and comprehensive loss and cash flows, in relation to discontinued operations. Net loss and accumulated deficit previously reported had not been affected by these reclassifications.

(d) 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 Tiel B.V.	Tiel, Netherlands	100% (no longer operational)

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. The 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.

(e) Functional Currency

These 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 and Sairiyo, (ii) U.S. dollar ("USD") for Green Global Properties Inc., and (iii) Euro ("€" or "EUR") for Interrobang Tiel B.V.

(f) Significant Accounting Judgments and Estimates

The preparation of these 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. The assumptions used in management's going concern assessment are derived from actual operating results along with industry and market trends, and are consistent with those used to evaluate the impairment of goodwill and intangible assets as at June 30, 2023. Management believes there will be sufficient cash inflow 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.

2. Basis of Presentation (continued)

(f) Significant Accounting Judgments and Estimates (continued)

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.

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.

Estimated useful lives, and amortization of intangible 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.

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 identifies a 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 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 ("FVLCS"). 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.

2. Basis of Presentation (continued)

(f) Significant Accounting Judgments and Estimates (continued)

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. Changes in these assumptions affect the fair value of the options and the amount of stock-based compensation to be recognized in profit or loss over the vesting period.

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.

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.

Functional currency

The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which they operate. Determination of functional currency involves significant judgments and other entities may make different judgments based on similar facts. The Company reconsiders periodically the functional currency of its businesses if there is a change in the underlying transactions, events or conditions which determine its primary economic environment.

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, 2022, unless otherwise noted below.

3. Summary of Significant Accounting Policies (continued)

(a) Adoption of New Accounting Standards and Amendments

The Company adopted the following amendments effective January 1, 2023. These changes were made in accordance with the applicable transitional provisions. The adoption of these amendments did not have any material impact on the Company's consolidated financial statements.

Amendments to IAS 1 – Presentation of Financial Statements ("IAS 1")

Disclosure of Accounting Policies (Amendments to IAS 1) continues the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include:

- requiring companies to disclose their material accounting policies instead of their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material.

4. Note Receivable

On August 2, 2022, the Company received a promissory note (the "Promissory Note") issued by Khiron Life Science Corp. ("Khiron" or the "Buyer") as part of the consideration on the sale of Pharmadrug Production GmBH ("Pharmadrug Production") (see Note 9 for details).

The Promissory Note is non-interest-bearing and will be immediately due and payable by the Buyer on the first anniversary of the issue date (the "Promissory Note Maturity Date"). A principal amount of $974,137 (the "Principal Amount") will be payable by the Buyer in cash, unless the Buyer elects in its sole discretion and by written notice delivered to the Company at least two days prior to the Promissory Note Maturity Date, to convert the unpaid Principal Amount in full into such number of fully paid and non-assessable common shares of Khiron equal to the quotient obtained by dividing (i) the unpaid Principal Amount by (ii) the 10-day volume-weighted average of the trading price per common share of Khiron on the TSX Venture Exchange for the previous consecutive 10 trading days ending on (and including) the trading day immediately prior to the Promissory Note Maturity Date.

5. Other Investments

Red Light Holland Corp.

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.

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 June 30, 2023, the Company continued to hold the RLH Warrants, which were measured at a fair value of $38,748 using Black-Scholes with the following market inputs and assumptions: share price of $0.09, exercise price of $0.26, expected volatility of 91% based on historical share prices of the entity, expected dividend yield of 0%, risk-free interest rate of 4.54% and an estimated remaining life of 1.30 years. During the six months ended June 30, 2023, the Company recorded a fair value decrease of $7,050 (2022 – $230,285) on the RLH Warrants.

(Expressed in Canadian Dollars)

5. Other Investments (continued)

Khiron Life Sciences

On August 2, 2022, the Company closed the sale of Pharmadrug Production to Khiron, for which the Buyer issued 5,968,750 common shares in the capital of Khiron (the "Khiron Shares") as part consideration given to the Company (see Note 9 for details). The Khiron Shares were recorded at a fair value of $686,406 on initial recognition, based on Khiron's closing share price on the date of issuance. The Khiron Shares were classified at FVTPL.

In October 2022, the Company disposed of 970,750 Khiron Shares for total proceeds of $94,075. A realized loss of $17,561 and a fair value increase of $111,636 were recorded upon disposal.

During the six months ended June 30, 2023, the Company disposed of 3,251,000 Khiron Shares for total proceeds of $245,756. A realized loss of $128,109 and a fair value increase of $199,825 were recorded upon disposal.

As at June 30, 2023, the Company continued to hold the remaining position of 1,747,000 Khiron Shares, which were valued at a fair value of $69,880. During the six months ended June 30, 2023, a fair value decrease of $30,970 was recorded on the Khiron Shares.

6. Intangible Assets and Goodwill

	Licenses, Permits & Patent	Supply Relationship	Software	Goodwill	Total
	$	$	$	$	$
Cost at:					
December 31, 2021	10,007,232	388,557	43,205	10,473,876	20,912,870
Effects of f/x on translation	(351,701)	(24,948)	2,952	(271,675)	(645,372)
Intangibles derecognized [(1)]	(5,125,931)	(363,609)	-	-	(5,489,540)
Intangible assets write off [(2)]	-	-	(46,157)	-	(46,157)
December 31, 2022 and June 30, 2023	**4,529,600**	**-**	**-**	**10,202,201**	**14,731,801**
Accumulated depreciation at:					
December 31, 2021	2,878,151	204,180	3,467	-	3,085,798
Amortization on intangible assets derecognized	528,922	37,519	-	-	566,441
Amortization on other intangible assets	-	-	8,643	-	8,643
Effects of f/x on translation	(201,124)	(14,268)	1,907	-	(213,485)
Impairment loss [(3)]	190,598	13,518	-	3,959,585	4,163,701
Intangibles derecognized [(1)]	(3,396,547)	(240,949)	-	-	(3,637,496)
Intangible assets write off [(2)]	-	-	(14,017)	-	(14,017)
December 31, 2022 and June 30, 2023	**-**	**-**	**-**	**3,959,585**	**3,959,585**
Net book value:					
December 31, 2022	4,529,600	-	-	6,242,616	10,772,216
June 30, 2023	**4,529,600**	**-**	**-**	**6,242,616**	**10,772,216**

[1] Intangible assets derecognized relates to the non-current assets of Pharmadrug production which was disposed of on August 2, 2022.

[2] Intangible assets write off relates to the software asset of Interrobang Online written off and fully amortized to the consolidated statements of loss, as the SlimWinkel webpage was no longer available for customers to place orders from 2022.

[3] Impairment loss relates to the excess of the carrying value over the FVLCS for the net assets of Pharmadrug Production as at the date of disposal.

(Expressed in Canadian Dollars)

7. Accounts Payable and Accrued Liabilities

	June 30, 2023	December 31, 2022
	$	$
Trade payables	**599,773**	525,292
Accrued liabilities	**388,035**	248,661
	987,808	773,953

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

8. Convertible Debentures

(a) 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 Officer ("CEO") of the Company 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 12% convertible debentures (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 six months ended June 30, 2023, the Company recorded an interest and accretion expense of $97,882 (2022 – $81,568) on the Replacement Debentures which is included in finance costs on the consolidated statements of loss and comprehensive loss.

(b) Secured Convertible Debentures

On August 2, 2022, the Company closed a private placement offering of $650,000 on sale of debenture units (each a "Debenture Unit"). Each Debenture Unit is comprised of (i) a $1,000 principal amount secured convertible debenture (each a "Secured Debenture") and (ii) 20,000 warrants (each a "Warrant"). The Secured Debentures bear an interest rate of 15% per annum from the closing date and payable monthly in arrears. The Secured Debentures mature one year from the closing date, on August 2, 2023.

8. Convertible Debentures (continued)

(b) Secured Convertible Debentures (continued)

Each Secured Debenture is secured by a general service agreement ("GSA") and rank pari passu with one another, and an unlimited corporate guarantee from Sairiyo (the "Guarantor"), security agreements creating a security interest in the Guarantor's present and after-acquired personal property and pledges of shares for the Guarantor (the "Security"). The Company shall have the right to repay or redeem a part or the entire principal amount of the 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 15 days and a maximum 60 days prior to the Redemption Date. Each subscriber is entitled to a closing fee in the amount of 8% of their aggregate subscription price which fee will be paid by way of a set off against the $1,000 Unit purchase price.

Each Debenture Unit will be convertible into 20,000 common shares (the "Debenture Shares") at a conversion price of $0.05 per Debenture Share at the option of the holder at any time while any portion of the principal amount or any accrued and unpaid interest on the Secured Debenture is outstanding.

Each Warrant entitles the holder to acquire a common share of the Company at any time on or before the 24-month anniversary of the issuance of the Warrant at an exercise price of $0.05 per Warrant.

The proceeds from the sale of any Khiron Shares or payment of the Promissory Note will be split equally between the Company's working capital and repayment of the Secured Debentures principal, and such split will remain in effect until the Secured Debenture is repaid in full.

The Secured 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 fair value of the liability was calculated as $640,600 using a discount rate of 18%. The total cost of issuance relating to this financing was $66,124, part of which was settled through the issuance of 200,000 common shares of the Company, which resulted into a loss of $1,000 on settlement.

During the six months ended June 30, 2023, the Company had recorded an interest and accretion expense of $43,756 on the Secured Debentures, which are included in finance cost on the consolidated statements of loss and comprehensive loss. During the six months ended June 30, 2023, the Company also made a principal repayment of $96,000 and interest payments of $26,815 to holders of the Secured Debentures.

(c) 2023 Debentures

On April 14, 2023, the Company raised $100,000 through an issuance of new debenture units (each a "2023 Debenture"). Each 2023 Debenture is comprised of a $1,000 principal amount convertible secured debenture and 20,000 Warrants. Each 2023 Debenture bears interest at a rate of 15% per annum payable monthly in arrears, matures one year from the date of issue and is convertible into common shares at a price of $0.05 (subject to adjustment). Each 2023 Debenture is secured by a GSA from the Company and Sairiyo.

Each subscriber is entitled to a closing fee in the amount of 8% of their aggregate subscription price which fee was paid by way of a set off against the $1,000 Unit purchase price. Half of the proceeds realized from the consideration received from the Sale of Pharmadrug Production will also be paid to the holders of the debentures. The 2023 Debentures rank pari passu with the Secured Debentures issued by the Company in August 2022.

Each $1,000 principal amount convertible debenture will be convertible into 20,000 common shares at a conversion price of $0.05 per 2023 Debenture. Each Warrant entitles the holder to acquire one common share at a price of $0.05 per share for a period of two years following the date of issuance.

The 2023 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 fair value of the liability was calculated as $98,436 using a discount rate of 18%, with the balance of $1,564 recognized as the fair value of the associated Warrants.

(Expressed in Canadian Dollars)

8. Convertible Debentures (continued)

(c) 2023 Debentures (continued)

During the six months ended June 30, 2023, the Company had recorded an interest and accretion expense of $3,464 on the 2023 Debentures, which are included in finance cost on the consolidated statements of loss and comprehensive loss. During the six months ended June 30, 2023, the Company made interest payments of $574 to holders of the 2023 Debentures.

The following table reflects the continuity of convertible debentures as at June 30, 2023 and 2022:

	$
Balance, December 31, 2021	**786,374**
Interest and accretion expense	81,568
Balance, June 30, 2022	**867,942**

	$
Balance, December 31, 2022	**1,422,648**
2023 Debentures issued	98,436
Interest and accretion expense	145,101
Payment of interest on debentures – Cash payment	(27,389)
Principal repayment	(96,000)
Fair value adjustment	654
Cost of issuance amortized	32,291
Balance, June 30, 2023	**1,575,741**

9. Discontinued Operations

Pharmadrug Production

On February 27, 2019, the Company acquired 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"), retained 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 former German subsidiary to maintain appropriate levels of working capital.

On May 17, 2019, 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.

On July 14, 2021, the Company acquired the 20% NCI (the "NCI Acquisition") in Pharmadrug Production, to obtain 100% ownership, for a purchase price consideration of €35,000 (approximately $52,879) payable in cash. On August 25, 2021, the Company completed the NCI Acquisition by transferring the purchase price consideration to Anquor.

The Consideration Shares are subject to a lock-up agreement pursuant to which the Company agrees not to sell, transfer or otherwise dispose of an aggregate of 5,000,000 Consideration Shares received on closing (the "Lock-Up Restriction") for an initial period of 90 days following the Closing Date, following which a total of 1,250,000 Consideration Shares will be released from the Lock-Up Restriction; and after this initial period, the Lock-Up Restriction will be lifted every 90 days thereafter, in each case in respect of an additional 1,250,000 Consideration Shares, such that all Consideration Shares subject to Lock-Up Restriction will be released 360 days from the date of issue of the Consideration Shares.

As a result of the Sale, the results of operations and cash flows related to the German business have been presented as discontinued operations in the consolidated statements of loss and comprehensive loss and cash flows.

(Expressed in Canadian Dollars)

9. Discontinued Operations (continued)

Pharmadrug Production (continued)

Financial information relating to the discontinued operations for Pharmadrug Production for the six months ended June 30, 2023 and 2022 is set out below:

	2023	2022
	$	$
Revenue	**-**	208,734
Expenses	**-**	(1,109,863)
Operating loss	**-**	(901,129)
Finance costs	**-**	(97)
Impairment Loss on remeasurement to FVLCS	**-**	(4,172,158)
Loss before tax from discontinued operations	**-**	(5,073,384)
Tax from ordinary activities for the period	**-**	179,690
Loss from Discontinued Operations	**-**	(4,893,694)

Net cash flows incurred by Pharmadrug Production presented on the consolidated statements of cash flows for the three months ended June 30, 2023 and 2022 are summarized as follows:

	2023	2022
	$	$
Net cash flows (used in) operating activities	**-**	(308,809)
Net cash flows (used in) financing activities	**-**	(38,314)
Net cash flows (used in) investing activities	**-**	(4,336)
Net Decrease in Cash from Discontinued Operations	**-**	(351,459)

Interrobang Online Ltd.

Following the sale of Pharmadrug Production and the ceasing of all operation in the Netherlands and Europe, the Board of the Company had also decided to wind down all operations within Interrobang Online Ltd. (“Interrobang Online”) in the U.S., as the Company had fully exited the psilocybin and functional mushroom business. As a result of the exit from the psilocybin and functional mushroom business, the results of operations and cash flows related to Interrobang Online have also been presented as discontinued operations in the consolidated statements of loss and comprehensive loss and cash flows.

Financial information relating to the discontinued operations for Interrobang Online for the six months ended June 30, 2023 and 2022 is set out below:

	2023	2022
	$	$
Revenue	**-**	867
Expenses	**-**	(44,387)
Loss from Discontinued Operations	**-**	(43,520)

Net cash flows incurred by Interrobang Online presented on the consolidated statements of cash flows for the six months ended June 30, 2023 and 2022 are summarized as follows:

	2023	2022
	$	$
Net cash flows (used in) operating activities	**-**	(44,081)
Net cash flows (used in) financing and investing activities	**-**	-
Net Decrease in Cash from Discontinued Operations	**-**	(44,081)

(Expressed in Canadian Dollars)

10. 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 June 30, 2023 and 2022 are as follows:

	Number of common shares	Amount
	#	$
Balance, December 31, 2021	**340,816,383**	**30,606,969**
Shares issued for services[(a)]	3,400,000	170,000
Shares issued on private placement[(b)]	7,000,000	165,896
Shares issued from exercise of warrants[(c)]	1,500,000	149,635
Shares issued from exercise of finder's warrants[(d)]	620,000	57,870
Shares issuance cost[(b)]	-	(1,545)
Balance, June 30, 2022	**353,336,383**	**31,148,825**
Balance, December 31, 2022	**355,626,346**	**31,217,524**
No transactions	-	-
Balance, June 30, 2023	**355,626,346**	**31,217,524**

Share capital transactions for the six months ended June 30, 2022

(a) 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 and recorded as share-based compensation on the consolidated statements of loss and comprehensive loss.

(b) On May 27, 2022, the Company closed a private placement (the "Private Placement") of 7,000,000 Units at 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. In connection with the Private Placement, the Company issued 40,000 Finder's Warrants and paid cash commission of $1,600. Each Finder's Warrant is exercisable into one common share of the Company at a price of $0.04 for a period of 24 months from closing (see Note 12 for details).

(c) During the six months ended June 30, 2022, 1,500,000 common shares were issued as a result of the exercise of Warrants for cash proceeds of $75,000.

(d) During the six months ended June 30, 2022, 620,000 common shares were issued as a result of the exercise of Finder's Warrants for cash proceeds of $31,000.

Share capital transactions for the six months ended June 30, 2023

There were no share capital transactions which occurred during the period.

11. 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 terms are determined at the discretion of the Board.

As at June 30, 2023, the Company had 13,712,635 common shares available for issuance under the Option Plan.

(Expressed in Canadian Dollars)

11. Reserve for Share-Based Payments (continued)

The following summarizes the stock option activity for the six months ended June 30, 2023 and 2022:

	June 30, 2023		June 30, 2022	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of period	**24,850,000**	**0.07**	22,100,000	0.09
Granted	**-**	**-**	3,750,000	0.05
Expired	**(3,000,000)**	**0.05**	-	-
Cancelled	**-**	**-**	(500,000)	0.05
Cancelled	**-**	**-**	(500,000)	0.085
Outstanding, end of period	**21,850,000**	**0.08**	24,850,000	0.07
Exercisable, end of period	**21,850,000**	**0.08**	24,600,000	0.07

Option grants for the six months ended June 30, 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 1.07%, 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 six months ended June 30, 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 1.27%, 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 six months ended June 30, 2022.

During the six months ended June 30, 2022, the Company also recorded share-based compensation of $43,384 related to vesting of options.

The following table summarizes information of stock options outstanding and exercisable as at June 30, 2023:

Date of expiry	**Number of options outstanding**	**Number of options exercisable**	**Exercise price**	**Weighted average remaining contractual life**
	#	**#**	**$**	**Years**
January 18, 2024	750,000	750,000	0.05	0.55
May 31, 2025	5,500,000	5,500,000	0.11	1.92
August 31, 2025	8,000,000	8,000,000	0.05	2.17
December 8, 2025	1,000,000	1,000,000	0.05	2.44
February 4, 2026	3,850,000	3,850,000	0.085	2.60
May 12, 2026	2,000,000	2,000,000	0.09	2.87
August 30, 2026	750,000	750,000	0.06	3.17
	21,850,000	**21,850,000**	**0.08**	**2.24**

(Expressed in Canadian Dollars)

12. Reserve for Warrants

The following summarizes the warrant activity for the six months ended June 30, 2023 and 2022:

	June 30, 2023		June 30, 2022	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted Average exercise price
	#	**$**	#	$
Outstanding, beginning of period	**53,652,328**	**0.06**	110,422,328	0.09
Issued from private placement of units	**-**	**-**	7,000,000	0.05
Issued from private placement of units	**-**	**-**	40,000	0.04
Issued from exercise of broker option	**-**	**-**	310,000	0.05
Issued from private placement of debentures	**2,000,000**	**0.05**	-	-
Exercised	**-**	**-**	(2,120,000)	0.05
Expired	**(13,045,760)**	**0.05**	-	-
Outstanding, end of period	**42,606,568**	**0.05**	115,652,328	0.09

Warrant issuance for the six months ended June 30, 2022

On May 27, 2022, the Company issued 7,000,000 Warrants in connection of the Private Placement (see Note 10(d)). Each Warrant is exercisable at $0.05 into one common share of the Company for a period of 24 months from issuance. The grant date fair value of the Warrants issued was estimated to be $114,104 using Black-Scholes with the following assumptions: expected volatility of 156% based on historical share prices of the Company, expected dividend yield of 0%, risk-free interest rate of 2.55% and an expected life of two years.

In connection with the Private Placement, the Company also issued 40,000 Finder's Warrants. Each Finder's Warrant is exercisable at $0.04 into one common share of the Company for a period of 24 months from issuance. The grant date fair value of the Warrants issued was estimated to be $1,007 using Black-Scholes with the following assumptions: expected volatility of 156% based on historical share prices of the Company, expected dividend yield of 0%, risk-free interest rate of 2.55% and an expected life of two years.

During the six months ended June 30, 2022, the Company issued 310,000 Warrants as a result of exercise of brokers' options. Each Warrant is exercisable at $0.05 into one common share of the Company for a period of 14 months from issuance.

Warrant issuance for the six months ended June 30, 2023

On April 14, 2023, the Company issued 2,000,000 Warrants in connection with the issuance of 2023 Debentures (see Note 8(c)) for details). Each Warrant entitles the holder to acquire one common share at a price of $0.05 per share for a period of two years following the date of issuance. The grant date fair value of the Warrants issued was estimated to be $1,564, recognized as the difference between the principal amount and the fair value of the liability calculated.

(Expressed in Canadian Dollars)

12. Reserve for Warrants (continued)

The following table summarizes information of warrants outstanding as at June 30, 2023:

Date of expiry	Number of warrants outstanding	Exercise price	Weighted average remaining contractual life
	#	$	Years
July 17, 2023	7,218,545	0.07	0.05
July 17, 2023	1,348,023	0.05	0.05
May 27, 2024	7,000,000	0.05	0.91
May 27, 2024	40,000	0.04	0.91
July 16, 2024	3,600,000	0.08	1.05
July 16, 2024	8,400,000	0.13	1.05
August 2, 2024	13,000,000	0.05	1.09
April 14, 2025	2,000,000	0.05	1.79
	42,606,568	**0.05**	**0.45**

13. Basic and Diluted Loss per Share

The calculations of basic and diluted EPS for the six months ended June 30, 2023 were based on the net loss from continuing operations of $598,748 (2022 – net loss of $2,503,960), the net loss from discontinued operations of $nil (2022 – net loss of $4,937,214), and the weighted average number of basic and diluted common shares outstanding of 355,626,346 (2022 – 346,032,350).

The details of the computation of basic and diluted loss per share are as follows:

	2023	2022
	$	$
Net loss from continuing operations	**(598,748)**	(2,503,960)
Net loss from discontinued operations	**-**	(4,937,214)
Net loss for the period	**(598,748)**	(7,441,174)
	#	#
Basic weighted-average number of shares outstanding	**355,626,346**	346,032,350
Assumed conversion of dilutive stock options and warrants	**-**	-
Diluted weighted-average number of shares outstanding	**355,626,346**	346,032,350
	$	$
Basic and diluted loss per share from continuing operations	**(0.002)**	(0.007)
Basic and diluted loss per share from discontinued operations	**(0.000)**	(0.014)

(Expressed in Canadian Dollars)

14. Related Party Transactions

In accordance with IAS 24 – Related Party Disclosures, key management personnel, including companies controlled by them, are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and other members of key management personnel during the six months ended June 30, 2023 and 2022 were as follows:

	2023	2022
	$	$
Management salaries and consulting fees	**134,871**	231,129
Professional fees	**49,950**	65,400
Share-based compensation	**-**	42,921
	184,821	339,450

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 six months ended June 30, 2023, the Company recorded management salaries of $60,000 (2022 – $60,000) in relation to the CEO's employment compensation. As at June 30, 2023, a balance of $90,000 (December 31, 2022 – $30,000) owing to the CEO as deferred salary was included in the accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Effective May 1, 2021, Pharmadrug and its former Chief Scientific Officer ("Former CSO") entered into an executive employment agreement, whereas the Company agreed to pay an annual base salary of $140,000 for his services. During the six months ended June 30, 2023, the Company recorded management salaries of $44,333 (2022 – $70,000) in relation to the Former CSO's employment compensation. As at June 30, 2023, a balance of $47,834 (December 31, 2022 – $17,500) owing to the Former CSO was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Effective January 10, 2022, Pharmadrug and its former Vice President of Clinical Development ("Former VP–Clinical Development") 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. During the six months ended June 30, 2023, the Company recorded management salaries of $30,538 (2022 – management salaries of $76,129 and the signing bonus of $25,000) in relation to the Former VP–Clinical Development's employment compensation. As at June 30, 2023, a balance of $39,204 (December 31, 2022 – $20,000) owing to the Former VP–Clinical Development was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the six months ended June 30, 2023, Branson Corporate Services Ltd. ("Branson"), where the Chief Financial Officer ("CFO") and Corporate Secretary of Pharmadrug is employed, charged fees of $49,950 (2022 – $65,400), for providing CFO services to the Company, as well as other accounting and administrative services. As at June 30, 2023, a balance of $168,491 (December 31, 2022 – $109,336) owed to Branson included in accounts payable and accrued liabilities). The amount outstanding is unsecured, non-interest bearing and due on demand.

Share-based compensation

The Company granted a total of 8,500,000 and 7,000,000 options to various officers and directors in the 2020 and 2021 financial years, respectively, which vested into the 2022 financial year. During the six months ended June 30, 2022, total stock-based compensation of $42,921 was recorded in connection with the vesting of these options.

Other related party transactions

On May 1, 2023, the CEO advanced an amount of $37,072 to the Company for funding of working capital. The amount was repaid to the CEO on May 8, 2023.

15. 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 considers its capital to be shareholders' equity, which is comprised of share capital, equity component of convertible debentures, reserves for share-based payments and warrants, accumulated other comprehensive loss and accumulated deficit. As at June 30, 2023, the Company's capital consisted of equity attributable to the shareholders of Pharmadrug Inc. of $8,238,705 (December 31, 2022 – equity attributable to the shareholders of Pharmadrug Inc. of $8,835,256).

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.

16. 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 a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and note receivable, which expose the Company to credit risk should the borrower default on maturity of the instruments. Cash is held with a reputable chartered bank in Canada. which is closely monitored. Management also reviews on a periodic basis the collectability of its receivables balance. As at June 30, 2023, management believes that the credit risk concentration with respect to financial instruments included in cash and note receivable 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 June 30, 2023, the Company had a cash balance of $9,923 (December 31, 2022 – $8,555), a note receivable balance of $974,137 (December 31, 2022 – $974,137), and liquid investments valued at $108,628 (December 31, 2022 – $320,688), to settle current liabilities of $2,563,549 (December 31, 2022 – $2,196,601).

16. Financial Risks (continued)

Liquidity risk (continued)

As at June 30, 2023, 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	987,808	-	-	**987,808**
Provisions	70,000	-	-	**70,000**
Convertible debentures	1,575,741	-	-	**1,575,741**
Total	2,633,549	-	-	**2,633,549**

The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecasts 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 understands that the Company will need to continue to raise funds going forward in order to fund its planned activities.

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 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 1% change in the closing price of the Company's other investments would impact net loss by approximately $1,000 based upon balances as at June 30, 2023.

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 convertible debentures have fixed interest rates. As at June 30, 2023, 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 previously had operations in Europe (Germany and Netherlands) where there were financial instruments and transactions dominated in EUR, and in the U.S. where there are financial instruments and transactions denominated in 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.

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, note receivable, other investments, accounts payable and convertible debentures.

(Expressed in Canadian Dollars)

16. Financial Risks (continued)

Fair value (continued)

The fair value of note receivable, other investments, and accounts payable are approximately equal to their carrying value due to their short-term nature. The fair values of the 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.

	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Cash	9,923	-	-	**9,923**
Other investments	69,880	38,748	-	**108,628**

As at June 30, 2023, 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 1 (for investments in Khiron Shares) and Level 2 (for investments in RLH Warrants). There were no transfers between Levels 2 and 3 for recurring fair value measurements during the six months ended June 30, 2023, and the year ended December 31, 2022.

17. Contingencies

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 June 30, 2023, the Company remained responsible for the following ongoing litigation cases relating to Pharmadrug Production. Pursuant to the terms of the SPA, the Company had assumed the liability or benefit of the outcome of the following legal proceedings:

(a) 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.

(b) 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 June 30, 2023, the Company had recorded a provision of approximately $70,000 for the estimated potential damages and liabilities that it expects to pay out.

18. Segmented Information

As at June 30, 2023, the Company's operations comprised solely of the corporate division in Canada, as the retail Smart Shop in the Netherlands, and the Online Slim Winkel business in the U.S are no longer in operations.

(Expressed in Canadian Dollars)

19. Finance Costs

Finance costs incurred during the three months ended June 30, 2023 and 2022 are comprised of the following:

	2023	2022
	$	$
Interest on Replacement Debentures (Note 8(a))	**97,882**	81,568
Interest on Secured Debentures (Note 8(b))	**43,756**	-
Interest on 2023 Debentures (Note 8(c))	**3,464**	-
Interest income	**(37)**	(10)
Other interest expense	**-**	1,046
	145,065	82,604

20. Subsequent Events

Termination of GSA

On July 5, 2023, the Company reached an agreement with the holders of $650,000 principal amount of the Secured Debentures to terminate the GSA granted by Sairiyo. As consideration for agreeing to terminate the GSA, the Company issued an aggregate of 5,000,000 common shares in the capital of the Company to the debt holders on July 13, 2023.

Third-Party Investment in Sairiyo

On July 18, 2023, the Company announced a strategic investment agreement with PharmaTher Inc. ("PharmaTher"), a wholly-owned subsidiary of PharmaTher Holdings Ltd., whereby PharmaTher subscribed for 144,117,647 common shares of Sairiyo for $300,000. Following the issuance, PharmaTher became a 49% shareholder of Sairiyo. The funds will be used for the ongoing development of cepharanthine ("PD-001") as the Company finalizes production of the cGMP batch of PD-001 and prepares for its potential in-human trials.

Expiry of Warrants

On July 17, 2023, 8,566,568 Warrants exercisable at $0.05 which were previously issued in July and December 2020, expired unexercised.