BioNxt Solutions Inc.
(formerly XPhyto Therapeutics Corp.)

Management's Discussion and Analysis

For the Three and Nine Months Ended September 30, 2022

1. INTRODUCTION

The following Management Discussion and Analysis ("MD&A") of the operating results and financial position of BioNxt Solutions Inc. (formerly XPhyto Therapeutics Corp.) (the "Company" or "BioNxt") is prepared as of November 28, 2022 and provides information concerning the Company's financial condition as at September 30, 2022. The MD&A should be read in conjunction with the Company's audited consolidated financial statements, including the notes thereto, as at December 31, 2021 and for the year then ended, and the unaudited condensed consolidated interim financial statements, including the notes thereto, as at September 30, 2022 and for the nine months then ended.

The referenced condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in Canadian dollars.

2. DESCRIPTION OF BUSINESS

The Company, formally known as Cannabunker Development Corp. and XPhyto Therapeutics Corp., was incorporated under the *Business Corporations Act* (British Columbia) on December 12, 2017. Effective November 14, 2022, the Company changed its name to BioNxt Solutions Inc. The principal business of the Company is to focus on strategic assets and investments in the field of rapid pathogen screening systems and next generation drug delivery, as well as medical cannabis and psychedelic opportunities focused on emerging European markets. The Company trades on the Canadian Securities Exchange ("CSE") under the symbol "BNXT", on the OTCQB under the symbol "XPHYF" and on the Frankfurt exchange under the symbol "4XT".

3. CAUTIONARY NOTE REGARDING FORWARDING-LOOKING STATEMENTS

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include, but are not limited to, statements regarding future anticipated business developments and the timing thereof, regulatory compliance, sufficiency of working capital, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward-looking statements as a result of various factors, including, but not limited to, the Company's ability to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

4. OVERALL PERFORMANCE

To September 30, 2022, the Company has an accumulated deficit of $48,315,282. During the nine months ended September 30, 2022, the Company completed two non-brokered private placements for gross proceeds of $2,300,000 and $3,600,000. Proceeds from the exercise of stock options during the nine months ended September 30, 2022 provided an additional $357,000.

Management is continuing to leverage its scientific expertise and operations in North America and Europe with an operational focus in Germany. BioNxt's strategy is to develop a portfolio of generic and hybrid-generic drug products. The Company is reviewing its development pipeline for selection of its next near-term drug formulation candidate.

5. SELECTED ANNUAL INFORMATION

The following table summarizes selected information from the Company's audited consolidated financial statements for the past three fiscal years:

For the Year Ended December 31	2021 $	2020 $	2019 $
Total revenue	286,498	345,654	208,119
Comprehensive loss for the period	(20,639,106)	(16,826,345)	(7,680,523)
Loss per share (basic and diluted)	(0.29)	(0.30)	(0.17)
Cash dividends per share	Nil	Nil	Nil
Total assets	9,726,618	8,284,177	8,655,887
Long-term financial liabilities	2,608,339	2,812,436	951,280
Accumulated deficit	(43,377,380)	(24,926,438)	(8,533,797)

All financial information is prepared in accordance with IFRS. All dollar amounts are expressed in Canadian dollars.

6. SUMMARY OF KEY EVENTS

Year Ended December 31, 2021

a) In January 2021, the Company announced that its wholly owned subsidiary, Vektor Pharma TF GmbH ("Vektor"), is planning to build a new commercial drug manufacturing facility in Germany in 2021. Vektor has secured a property in the district of Biberach, near its current laboratory. The estimated maximum capacity of laboratory and manufacturing space that could be constructed on the property is 3,000 meters^2 (32,000 feet^2).

b) In February 2021, the Company announced signing an agreement with Applied Pharmaceutical Innovation ("API") for the synthesis of pharmaceutical-grade psychedelic compounds and the parallel development of the standard operating procedures necessary to obtain regulatory approval for the respective commercial production process. The industrial-scale production of standardized active pharmaceutical ingredients is an important part of BioNxt's psychedelic pharmaceutical program, as the Company anticipates a shortage of large-scale supply of certain approved and standardized pharmaceutical grade psychedelics. Further to this agreement, the Company added mescaline production to its psychedelic medicine programs.

c) In February 2021, the Company announced Vektor had been subject to a declaratory action made by a former client in relation to an alleged breach of the terms of a development agreement. Vektor has filed a notice of defence in the respective German court. On April 22, 2021, the Company filed a statement of defence in reply to the complaint. The matter was set to be heard in July 2021 in the Regional Court of Dusseldorf, but was postponed and the Company is currently awaiting the rescheduled date.

d) In February 2021, on the expectation of its commercial diagnostics development partner 3a-diagnostics GmbH ("3a GmbH") receiving ISO 13485 medical device manufacturer approval and European regulatory approval as a commercial in vitro diagnostic device ("CE-IVD") for its point-of-care SARS-CoV-2 (COVID-19) RT-PCR test system ("COVID-ID Lab"), the Company announced that it had expedited the formation of an experienced commercial team to launch COVID-ID Lab. COVID-ID Lab was developed by 3a GmbH. The market launch team consists of world-class clinical and pharmaceutical executives and service providers who bring the experience and expertise necessary to drive the commercialization of COVID-ID Lab effectively and rapidly.

e) In February 2021, the Company announced that the first manufacturing order of COVID-ID Lab was for 9,600 individual tests, which are packaged in 200 kits of 48 tests each. Delivery of the first order will be primarily used to supply prospective distribution partners and licensees and their respective government regulators with tests samples for review and evaluation.

f) In March 2021, the Company and its exclusive German diagnostics development partner, 3a GmbH, announced the European approval of its COVID-ID Lab. COVID-ID Lab is now registered within the European Union (or "EU") as a CE-IVD test.

g) In April 2021, the Company announced that it had entered into an agreement with an established German pharmaceutical wholesaler and service provider for the distribution, storage and logistics of BioNxt's diagnostic products in Germany. The agreement secures BioNxt a full-service distribution partner for its COVID-ID Lab. COVID-ID Lab is registered within the European Union as a CE-IVD test. Pursuant to the agreement, the distributor will distribute, store and deliver COVID-ID Lab test kits according to the product specifications and all applicable regulations to BioNxt's customers. In addition, the distributor will provide the documentation and fulfillment of storage obligations, the fulfillment of reporting and notification obligations, and the processing of any returned products. The obligations and services to be rendered under the agreement satisfy all of the logistical and regulatory requirements for the commercial sale of COVID-ID Lab in Germany.

h) In April 2021, the Company announced that it had delivered 2,000 of its rapid 25-minute polymerase chain reaction ("PCR") tests, COVID-ID Lab to an established medical distributor in Israel for clinical evaluation for the purpose of commercial regulatory approval and potential product distribution. Based on the European CE-IVD approval of COVID-ID Lab, announced by the Company on March 18, 2021, COVID-ID Lab will be evaluated by the Medical Device Division of the Israeli Ministry of Health (AMAR) for the purpose of securing Israeli regulatory approval. Israel recognizes several international medical device certifications, including the European CE-IVD mark. The clinical evaluation process will form the basis for commercial approval of COVID-ID Lab in Israel.

i) In May 2021, the Company announced that it had commenced a pilot project with its rapid COVID-19 PCR test, COVID-ID Lab, in a point-of-care setting in Germany. During the pilot project, the validated workflows for the test, including the mobile collection and processing of patient samples, will be further optimized. BioNxt's clinical partner for the project is Spitzweg Apotheke, a well-known pharmacy in Langen near Frankfurt, Germany, currently running a COVID-19 test center at a clinic, where it also provides special pharmacy services for cancer patients.

j) In May 2021, the Company announced that its distribution, storage and logistics partner, Max Pharma GmbH ("Max Pharma"), will launch the sale of COVID-ID Lab commencing May 25, 2021. COVID-ID Lab will be available for purchase and delivery in Germany from Max Pharma at volume dependent pricing within the range of commonly available COVID-19 PCR test products currently on the market. Initial German manufacturing capacity has been secured with additional manufacturing capacity available based on demand.

k) In June 2021, the Company announced that it had signed a master supply agreement with Beovita GmbH & Co. KG and Tackleberries GmbH, two German diagnostics, testing and medical logistics companies that run ten COVID-19 test centers in Berlin, Germany. Approximately 1,000 COVID-ID Lab tests were delivered to the test centers to kick off a short trial period to integrate and evaluate BioNxt's new PCR test system. COVID-ID Lab sample processing will occur directly at the sample collection site.

l) In July 2021, the Company announced that it had signed a definitive agreement for the acquisition of 3a GmbH, BioNxt's exclusive diagnostics development partner. Pursuant to the definitive agreement, BioNxt will acquire all of the outstanding shares of 3a GmbH for 400,000 €, to be paid

immediately, and 3.5 million €, to be paid on closing, planned for on or around December 1, 2021. The planned acquisition of 3a GmbH is expected to result in significant synergies in research and development and manufacturing; significantly improved margins for commercial products, such as the 25-minute COVID-ID Lab test; as well as expedite commercialization of products in 3a GmbH's near-market development pipeline. 3a GmbH's intellectual property, including patents, know-how, expertise and contracts with third parties will be transferred to BioNxt at the time of closing the acquisition. BioNxt plans to maintain, support and further develop 3a GmbH's operations in southern Germany.

m) In July 2021, the Company announced that its acquisition target, 3a GmbH, has identified the first saliva activated "in-mouth" biosensor candidates for the detection of a COVID-19 infection. The enzyme-activated biosensors are developed for real-time, low-cost and easy-to-use oral screening applications for the rapid detection of infectious diseases, including COVID-19, at home or at the point-of-care.

n) In August 2021, the Company, with 3a GmbH, has successfully registered for its first biosensor test in oral inflammation with the German authorities (cosmetic products notification). The easy at-home self-check can be performed without the need for specific medical knowledge or training, analytical equipment or even a power supply. When placed on the tongue, the thin film dissolves and, after five minutes, the biosensor releases a bitter taste in case of oral inflammation. The biosensor functions as a quick test for heightened levels of certain bacteria and viruses to check whether a doctor's visit and further tests are necessary.

o) In September 2021, the Company announced the successful market launch of its 25-minute COVID-19 PCR test, COVID-ID Lab. The pilot project at the test centers in Berlin has successfully optimized the operational procedures and protocols for the rapid, efficient and reliable use of COVID-ID Lab. This technical and operational knowledge is a critical component of the product launch process and to securing sales with existing and prospective customers.

p) In November 2021, the Company announced it had closed its $1 per common share non-brokered private placement (the "Equity Offering"), as well as its previously announced non-brokered convertible debenture unit offering (the "Debenture Offering"). The Equity Offering resulted in the distribution of 4,500,000 common shares of the Company (a "Share") for gross aggregate proceeds of $4,500,000. The Debenture Offering resulted in gross aggregate proceeds of $2,500,000 through the issuance of $2,500,000 in principle, convertible into Shares at a conversion price of $1.25 per Share, and 2,000,000 share purchase warrants, exercisable into Shares at an exercise price of $1.50 for a period of two years.

q) In December 2021, the Company completed its acquisition of 3a GmbH.

Nine Months Ended September 30, 2022

a) In January 2022, the Company signed a distribution agreement with TechUnit s.r.o. (Limited) for the distribution of its COVID-ID Lab in the Czech Republic as an initial priority market followed by Hungary, Slovakia, Ukraine and Russia.

b) In February 2022, the Company announced the execution of COVID-ID Lab sales contracts with both digitallifecare Corona Testzentren, powered by digitallifecare GmbH, Germany, and a group of pharmacies in Bamberg, Germany.

c) In March 2022, the Company announced the closing of the first tranche of a non-brokered private placement. The Company issued 1,250,000 common shares at $1 per common share for total gross proceeds of $1,250,000. The Company paid $100,000 in finders' fees and issued 100,000

finder's warrants exercisable into one common share at a price of $1 per share for a period of two years.

d) In April 2022, the Company announced the closing of the final tranche of a non-brokered private placement. The Company issued 1,050,000 common shares at $1 per common share for total gross proceeds of $1,050,000. The Company paid $84,000 in finders' fees and issued 84,000 finder's warrants exercisable into one common share at a price of $1 per share for a period of two years.

e) In July 2022, the Company announced the closing of the first tranche of a non-brokered private placement. The Company issued 2,810,000 units at $0.36 per unit for gross proceeds of $1,011,600. Each unit consisted of one common share and one-half of one share purchase warrant, with each warrant exercisable into one additional common share at a price of $0.50 for a period of two years from closing. The Company paid finders' fees and costs of $80,928 and issued 224,800 finders' warrants at a price of $0.50 per share for a period of two years from closing.

f) In August 2022, the Company announced the closing of the second and third tranches of a non-brokered private placement. The Company issued 7,190,000 units at $0.36 per unit for gross proceeds of $2,588,400. Each unit consisted of one common share and one-half of one share purchase warrant, with each warrant exercisable into one additional common share at a price of $0.50 for a period of two years from closing. The Company paid finders' fees and costs of $207,072 and issued 575,200 finders' warrants at a price of $0.50 per share for a period of two years from closing.

Subsequent to September 30, 2022

a) In October 2022, the Company announced the signing of a non-binding letter of intent ("LOI") with a US-based thin film manufacturing firm. The LOI sets out a number of short-term milestones to determine the extent and feasibility of potential business synergies between BioNxt and the firm which include: manufacturing compatibility for BioNxt's oral dissolvable film ("ODF") biosensor products; potential EU-GMP certification of the US-based facility; reciprocal import/export opportunities between the US and Europe; and product R&D collaborations.

b) In October 2022, the Company announced the results of its Rotigotine transdermal ("TDS") patch human skin cadaver study and dissolution data. The study compared drug absorption between BioNxt's optimized new formula and the name brand product in three separate samples over a 24-hour period in accordance with EMA's Guideline on quality of transdermal patches. The study results demonstrate exceptionally similar dissolution and absorption profiles between BioNxt's drug formulation and the name brand product

7. RESULTS OF OPERATIONS

Three Months Ended September 30, 2022

During the three months ended September 30, 2022, the Company recorded revenues of $41,589 (2021 - $116,931) and a comprehensive loss of $1,899,619 (2021 - $2,596,505). The decrease in revenue compared to the three months ended September 30, 2021 was due to sales of COVID-ID Lab tests in 2021 that did not occur in 2022.

Operating expenses for the three months ended September 30, 2022 decreased to $1,677,390 from $2,478,144 for the comparable period. Significant variances in operating expenses for the three months ended September 30, 2022, as compared to the same period in the prior year, include the following:

- Consulting fees of $226,878 (2021 - $290,162) decreased due to the termination of certain consultants in 2022. The reduction was partially offset as some work was performed by consultants rather than salaried employees in 2022, along with certain work previously done externally now performed by the Company's consultants.
- Depreciation and amortization expense of $32,274 (2021 - $204,773) decreased, as the Bunker Pflanzenextrakte GmbH ("Bunker") facility lease in Germany was impaired at the end of calendar 2021. There was no depreciation on this right-of-use asset in Q3 2022, while there was in Q3 2021.
- Marketing and advertising of $63,755 (2021 - $919,682) decreased in 2022, as the Company adjusted its marketing strategy and worked to reduce costs. In 2021, the Company expanded its marketing and investor relations efforts in anticipation of its commercial sales launch and to increase liquidity, and, in the effort, engaged several marketing and media management companies in Canada, the United States and Europe.
- Office and miscellaneous of $35,022 (2021 - $67,199) were lower as a result of cost-control measures implemented by the Company starting in late 2021.
- Professional fees of $112,268 (2021 - $92,895) increased due to an increase in legal fees in 2022.
- Research and lab fees of $564,532 (2021 - $549,041) were consistent compared to the prior period.
- Salaries, benefits and other remuneration of $130,597 (2021 - $218,489) were lower in 2022 due to an adjustment, as well as the transition to consultants.
- Share-based compensation expense of $11,402 (2021 - $5,832) in 2022 increased due to an increase in the fair value of the vesting of options compared to the comparative period. Values for both periods were calculated using the Black-Scholes option pricing model.
- Write-down of inventory of $494,008 (2021 - $nil) was due to the Company's COVID-ID Lab test inventory expiring during 2022. The Company was not able to sell all of its test kit inventory prior to the expiration dates.

Nine Months Ended September 30, 2022

During the nine months ended September 30, 2022, the Company recorded revenues of $261,246 (2021 - $128,314) and a comprehensive loss of $4,898,474 (2021 - $12,153,518). The increase of revenue compared to the nine months ended September 30, 2021 was primarily due to Vektor providing services for fees in 2022, whereas in 2021 the focus was almost entirely on research and development. The Company also had $74,883 (2021 - $90,311) of revenues from sales of its COVID-ID Lab product.

Operating expenses for the nine months ended September 30, 2022 decreased to $5,059,882 from $11,686,103 for the comparable period. Significant variances in operating expenses for the nine months ended September 30, 2022, as compared to the same period in the prior year, include the following:

- Consulting fees of $854,676 (2021 - $929,645) decreased due to the termination of certain consultants in 2022. The reduction was partially offset as some work was performed by consultants rather than salaried employees in 2022, along with certain work previously done externally now performed by the Company's consultants.
- Depreciation and amortization expense of $165,806 (2021 - $621,426) decreased, as the Bunker facility lease in Germany was impaired at the end of calendar 2021. There was no depreciation on this right-of-use asset in 2022, while there was in 2021.
- Marketing and advertising of $508,294 (2021 - $4,944,032) decreased in 2022, as the Company adjusted its marketing strategy and worked to reduce costs. In 2021, the Company expanded its marketing and investor relations efforts in anticipation of its commercial sales launch and to increase liquidity, and, in the effort, engaged several marketing and media management companies in Canada, the United States and Europe.

- Office and miscellaneous of $196,764 (2021 - $318,914) were lower as a result of cost-control measures implemented by the Company starting in late 2021.
- Professional fees of $335,159 (2021 - $299,513) increased due to an increase in legal fees in 2022.
- Research and lab fees of $1,518,412 (2021 - $2,470,241) were higher in 2021, as in 2021, the Company incurred contractual payments related to the development, technology, purchase and license agreement with 3a GmbH. There were no such contractual payments in 2022. 3a GmbH was acquired by the Company on December 1, 2021; 2021 also included $241,500 related to a non-cash charge for a share issuance to 3a GmbH.
- Salaries, benefits and other remuneration of $601,942 (2021 - $595,786) were higher in 2022 due to the addition of 3a GmbH. Excluding 3a GmbH, salaries, benefits and other remuneration decreased, as some work was done by consultants rather than employees.
- Share-based compensation expense of $86,323 in 2022 related to vesting of options previously granted, while in 2021, the expense of $1,234,630 related primarily to 1,120,000 stock options granted. Values for both periods were calculated using the Black-Scholes option pricing model.

8. SUMMARY OF QUARTERLY RESULTS

The following selected financial information is a summary of the eight most recently completed quarters up to September 30, 2022:

	September 30, 2022 $	**June 30, 2022 $**	**March 31, 2022 $**	**December 31, 2021 $**
Total revenue	41,589	98,231	121,426	158,184
Comprehensive loss	(1,899,619)	(1,291,650)	(1,707,205)	(8,485,588)
Basic and diluted loss per share	(0.02)	(0.02)	(0.02)	(0.11)
	September 30, 2021 $	**June 30, 2021 $**	**March 31, 2021 $**	**December 31, 2020 $**
Total revenue	116,931	7,685	3,698	77,330
Comprehensive loss	(2,596,505)	(4,161,385)	(5,395,628)	(2,816,440)
Basic and diluted loss per share	(0.04)	(0.06)	(0.08)	(0.05)

In terms of comparative and trend discussion from quarter to quarter, the Company's operations are still in their early stages, and the Company is continuing to grow in both Canada and Germany. As a result, large variances from quarter to quarter may occur. Below are a few highlights discussing the comparable quarterly results.

Q3 2022 to Q2 2022

Comprehensive loss for Q3 2022 was $1,899,619, as compared to $1,291,650 in Q2 2022. In Q2 2022, the Company recorded a gain on the termination of the lease liability relating to a lease held by Bunker. The Company had terminated the lease in April 2022 and made a final payment of $32,190 to extinguish the remaining liability of $691,742. There were reductions in consulting fees, salaries, benefits and other remuneration, and marketing and advertising from Q2 2022 to Q3 2022. This was offset by the $494,008 write-down of inventory in Q3 2022 and an increase in research and lab fees in Q3 2022.

Q2 2022 to Q1 2022

Comprehensive loss for Q2 2022 was $1,291,650, as compared to $1,707,205 in Q1 2022. In Q2 2022, the Company recorded a gain on the termination of the lease liability relating to a lease held by Bunker. The Company had terminated the lease in April 2022 and made a final payment of $32,190 to extinguish the

remaining liability of $691,742. Offsetting that gain were increases in operating expenditures from Q2 2022 to Q1 2022, including consulting fees and marketing and advertising, which increased by $131,892 and $139,531, respectively.

Q1 2022 to Q4 2021

Comprehensive loss for Q1 2022 was $1,707,205, as compared to $8,485,588 in Q4 2021.Share-based compensation in Q4 2021 was $2,040,441 compared to $48,539 in Q1 2022. In Q4 2021, the Company issued a total of 3,325,000 stock options with a weighted average exercise price of $1.30 per unit to certain consultants, officers, employees and directors of the Company. In comparison, in Q1 2022, no new options were issued, and expense recognized related to the vesting of stock options issued in prior periods. In Q4 2021, the Company recorded a loss in write-down of equipment of $217,491. This equipment had been rendered inoperable due to the failed commissioning of the unit. The Company also recorded a loss in write-down of right-of-use asset of $3,459,481 relating to a lease held by Bunker. As the Company no longer has any plans for using this leased facility and has terminated the lease in April 2022, the value of this right-of-use asset has been written down to $nil at year-end 2021. Additionally, depreciation and amortization, professional fees, consulting fees, and marketing and advertising were all substantially lower in Q1 2022 compared to Q4 2021.

Q4 2021 to Q3 2021

Comprehensive loss for Q4 2021 was $8,485,588, as compared to $2,596,505 in Q3 2021. Higher comprehensive loss in Q4 2021 was mainly due to higher share-based compensation, which amounted to $2,040,441, as compared to $5,832 in Q3 2021, as well as loss on write-down of equipment and right-of-use asset of $217,491 and $3,459,481, respectively.

9. LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of capital include the issuance of equity, exercise of common share warrants and stock options by their holders, and debt financing. The Company had a working capital deficit of $1,549,128, which included cash of $2,191,414, at September 30, 2022, compared to a working capital deficit of $2,745,775, which included cash of $1,351,981, at December 31, 2021.

Cash increased by $839,433 to $2,191,414 during the nine months ended September 30, 2022. The Company's operations consumed $4,819,867 of cash during the nine months ended September 30, 2022, as compared to $10,529,084 during the nine months ended September 30, 2021. See section 7, **Results of Operations**, for details on the decrease in 2022.

Investing activities consumed $3,858 of cash during the nine months ended September 30, 2022, as compared to $1,036,392 during the nine months ended September 30, 2021. Cash used in investing activities in FY 2021 mainly related to the acquisition of property in Germany and office equipment, as well as costs paid in relation to the 3a GmbH acquisition.

Financing activities provided a cash inflow of $5,672,753 in 2022, as compared to $9,994,239 during the nine months ended September 30, 2021. During the nine months ended September 30, 2022, certain financing activities included the Company issuing 12,300,000 common shares for gross proceeds of $5,900,000 in connection with a non-brokered private placement. The Company also issued 714,000 common shares in connection with the exercise of stock options, for proceeds of $357,000, and sold 200,000 treasury shares for $200,000. During the nine months ended September 30, 2021, the Company issued 1,500,000 common shares for gross proceeds of $2,850,000 in connection with a non-brokered private placement. The Company also issued 8,940,275 common shares in connection with the exercise of 8,940,275 share purchase warrants, for proceeds of $7,534,096.

The Company has forecasted its cash requirements for the next fiscal year and believes it will not have sufficient cash resources and liquidity to sustain its current planned activities. This assessment is based on the Company's budget, its available cash and future planned financing activities. The Company will be required to raise additional capital during the 2022 fiscal year. For the foreseeable future, the Company intends to finance its operations through the issuance of shares and debentures, and cash from the exercise of warrants and options by their holders.

10. OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

11. PROPOSED TRANSACTIONS

The Company does not have any proposed transactions as at September 30, 2022.

12. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for planning, directing and controlling the activities of the Company, and include both executive and non-executive directors and entities controlled by such persons. The Company considers its directors, Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company, and its managing directors of the German subsidiaries to be key management personnel.

The following is a summary of the Company's key management compensation.

	September 30, 2022 $	September 30, 2021 $
Compensation and short-term benefits – Hugh Rogers, CEO and director	187,093	156,980
Compensation and short-term benefits – Christopher Ross, former CFO	-	132,491
Compensation and consulting fees – Wolfgang Probst, director	111,864	152,650
Compensation – Heinrich Jehle, Managing Director, 3a GmbH	122,778	-
Consulting fees – Joseph Meagher, CFO	54,000	-
Consulting fees – Peter Damouni, director	180,000	45,000
Research and lab fees – Thomas Beckert, Managing Director, Vektor	165,750	181,833
Research and lab fees – Dr. Raimar Löbenberg, director	45,000	45,000
Director fees – Per S. Thoresen, director	9,000	6,000
Director fees (recovery) – Hugh Rogers, CEO and director	(9,000)	6,000
Director fees (recovery) – Dr. Raimar Löbenberg, director	(9,000)	6,000
Director fees (recovery) – Wolfgang Probst, director	(9,000)	6,000
Director fees (recovery) – Peter Damouni, director	(6,000)	3,000

As at September 30, 2022, $40,000 (December 31, 2021 - $50,038) remained unpaid and has been included in accounts payable and accrued liabilities.

During the nine months ended September 30, 2022, the Company incurred $nil (2021 - $28,374) in professional fees to a company controlled by the former CFO of the Company.

13. OUTLOOK

Since incorporation, the Company has evolved into a diversified life science technology accelerator through acquisition, partnership, and in-house research and development. Through its wholly owned subsidiaries and exclusive research, development, and commercialization agreements, BioNxt is developing a pathogen and oral health diagnostic and screening test business, thin film drug formulation business, and a psychedelic pharmaceutical production and formulation business.

Pathogen and Oral Health Diagnostic and Screening Tests

BioNxt is developing and commercializing a pipeline of pathogen and oral health diagnostic and biosensor screening tests for European markets with its first product, a rapid point-of-care COVID-19 PCR system launched in March 2021, and its second product, a low-cost oral dissolvable biosensor for oral inflammation was registered for sale in Europe in Q3 2021. The Company's diagnostic business has proceeded by way of an exclusive partnership with 3a GmbH as set out above. On July 20, 2021, BioNxt announced a proposed acquisition of 3a GmbH, which closed December 1, 2021 and was announced on December 6, 2021.

In addition to its COVID-19 rapid point-of-care PCR system, 3a GmbH developed a suite of biosensor rapid oral screening tests for oral health, bacterial and viral infectious diseases, including influenza A, group A Streptococcus, stomatitis, periimplantitis, and periodontitis. Additional pandemic-focused biosensors are in planning and development, specifically for COVID-19 (coronavirus), H1N1 (swine flu), and H5N1 (avian flu). On June 10, 2020, BioNxt announced that 3a GmbH and their contract research collaborators received a €254,200 grant from the German Federal Ministry of Education and Research. Proceeds of the grant are committed to the development and commercialization of enzyme activated biosensors for use in real-time, low-cost and easy-to-use oral screening tests for the detection of influenza A virus and specific variants that are high-risk pandemic threats such as H1N1 and H5N1. On July 6, 2020, the Company announced that 3a GmbH's enhanced probe system for and associated technology for COVID-19 had been incorporated into the development, technology purchase and license agreement with 3a GmbH.

3a GmbH successfully developed a rapid COVID-19 PCR diagnostic test kit to detect COVID-19 viral RNA from patient saliva and nasal and throat swabs. On March 18, 2021, the Company announced European CE-IVD approval for the commercial sale of the COVID-19 PCR kit. The Company is working to secure production and distribution agreements with a focus on European and Middle Eastern markets although the Company recognizes a steep decline in demand interest due to reduced pandemic testing, both private and public.

On May 7, 2021, the Company announced that it commenced a pilot project for its rapid COVID-19 PCR test in a point-of-care setting at a pharmacy near Frankfurt, Germany. During the pilot project, the validated workflows for the test including the mobile collection and processing of patient samples were further optimized. On June 30, 2021, the Company announced a pilot study with 10 COVID-19 test centers in Berlin. The pilot study generated valuable data to finalize the laboratory workflows and training protocols, which are necessary for commercial implementation. Changes in potential demand for COVID-19 PCR testing systems in general associated with a global reduction in PCR testing could limit sales opportunities.

On July 28, 2021, BioNxt announced the successful identification of a saliva-activated in-mouth biosensor candidate for the detection of a COVID-19 infection. Further development work is underway, including the review of this particular sensor, as well as additional potential candidates.

In general, the Company sees significant market potential for its oral health screening tests and intends to pursue distribution and licencing opportunities.

Thin Film Drug Formulation

BioNxt is developing a thin film drug formulation business through its wholly owned German subsidiary, Vektor, with a focus on generic and hybrid-generic development opportunities based on approved active pharmaceutical ingredients. This strategy is expected to provide lower development costs, expedited development timelines, and lower regulatory risk compared to the development of drug formulations using novel compounds.

In Q3 2019, BioNxt acquired 100% of Vektor, a German-based narcotics company focused on the research, development and production of therapeutic films for pharmaceutical applications. The company had

established itself as an expert in the design, testing and manufacturing of thin film drug delivery systems, including transdermal patches and sub-lingual (oral) strips. Vektor also holds a number of valid narcotics licenses pursuant to EU GMP certification and other governing regulations: Import Permit for drug dosage forms; Import Permit for cannabis; Manufacturing Permit for clinical samples; Manufacturing Permit for final drug product release; Analytical Permit for chemical and physical testing; Permit to handle narcotic drugs; and a Permit to handle animal tissue. Vektor's various narcotics licenses include authorizations related to conventional and cannabis-related prescription medications, including but not limited to: Buprenorphine, cannabis, Dronabinol, Fentanyl, Hydromorphone, Oxycodone, and THC. Vektor's cannabis licenses and EU GMP facility may be important assets for BioNxt's import and distribution businesses.

The current drug delivery programs are focused on precision dosing of conventional narcotics and cannabis-derived compounds using Vektor's novel thin film drug delivery platforms. The two leading drug delivery programs are as follows: 1) a TDS for the delivery of Rotigotine; and 2) an ODF for the delivery of CBD. Additional drug delivery programs are underway at various stages of planning and development.

Rotigotine is a non-ergoline dopamine agonist approved for the treatment of Parkinson's disease (PD) and restless legs syndrome (RLS) in Europe and the United States. Rotigotine, the active pharmaceutical ingredient, is a generic "off-patent" drug that is typically formulated as a once-daily transdermal patch which provides a slow and constant supply of the drug over the course of 24 hours. Vektor has completed formulation and process implementation for the manufacture of its Rotigotine patches for use in clinical studies. Clinical sample manufacturing and analytical work was completed in Q4 2020 with human bioavailability studies completed in Q1 2021. Positive results and the advancement of the Rotigotine program to a pivotal human study were announced in Q2 2021.

CBD, a non-psychoactive cannabis-derived compound, is prescribed for neurological conditions, including certain forms of Epilepsy and pain management. Vektor has completed the initial stage of product development and established a number of critical parameters necessary for an efficient and well-defined dissolvable oral CBD dosage form. The Company finalized the clinical formulation and completed clinical product manufacturing in Q4 2021. The European-based pilot study was carried out in 2022 with results under analysis and interpretation.

Vektor is actively involved in the development of pathogen screening tests which incorporate 3a GmbH's molecular biosensors into Vektor's ODF drug delivery system. 3a GmbH has developed peptide-based biosensor screening tests for bacterial and viral infectious diseases, including influenza A, scarlet fever, stomatitis, periimplantitis, and periodontitis. Additional pandemic-focused biosensors are in planning and development, specifically for COVID-19 (coronavirus), H1N1 (swine flu), and H5N1 (avian flu). Positive detection of the respective pathogen results in enzymatic release of an extreme (but safe) bitter compound. 3a GmbH has confirmed successful enzyme activation of its peptide biosensor when delivered using Vektor's platform; in addition, ODF embedded biosensor activation has been demonstrated for biologically relevant levels of pathogen specific enzymes. Screening test evaluation for certain biosensor products for the purpose of EU regulatory approval is being planned..

In Q1 2021, the Company announced that Vektor had been made subject to a declaratory action made by a former client in relation to alleged breach of the terms of a development agreement. Vektor has filed a notice of defence in the respective German court. On April 22, 2021, the Company filed a statement of defence in reply to the complaint. The matter was set to be heard in July 2021 in the Regional Court of Dusseldorf but has been postponed due to a request from the plaintiff. A new date has not been set.

In Q2 2021, the Company announced that it had signed a purchase and sale agreement for the acquisition of a property in Biberach, Germany. The Company intends to construct a new commercial drug manufacturing facility on the site. The Company is reviewing scalable construction options to synchronize its manufacturing capacity with demand from in-house and contract manufacturing opportunities. A construction plan and budget has not been finalized.

Psychedelic Pharmaceutical Production and Formulation

BioNxt is focused on development of a psychedelic production and formulation business with clinical validation as the final intended step in the commercialization process. The Company's psychedelic (and former cannabis R&D) programs in Canada are carried out through BioNxt Laboratories Corp., a wholly owned Alberta subsidiary, and in collaboration with the University of Alberta ("UoA"). The Company is focused on the industrial scale synthesis of pharmaceutical-grade mescaline for therapeutic use. Psychedelic programs in Germany are carried out through Vektor, a wholly owned German subsidiary.

On June 8, 2021, the Company announced that its mescaline synthesis program is on schedule having completed lab set up, preliminary synthesis, modified synthesis, and initial batch production. On February 22, 2022, BioNxt announced the development of a repeatable two-step reaction process with a mescaline yield greater than 60 per cent and purity exceeding 99 per cent, which is ideal for clinical use. Analytical methods were developed and validated and, to date, approximately 60 grams of GMP-grade mescaline has been manufactured for clinical trial evaluation. The Company is currently focused on drug delivery and Phase I clinical trial planning.

In addition to GMP mescaline synthesis, drug delivery, and clinical evaluation, the Canadian operations are also focused on the design and synthesis of novel second-generation psychedelic analogues. The company has successfully developed and manufactured two promising novel compounds with properties designed to increase bioavailability. Intellectual-property-related information will be disclosed in due course.

In Q3 2020, Vektor signed a research agreement with a leading German university for the exclusive development of proprietary industrial-scale production methodology for GMP psilocybin through an advanced biosynthesis process focused on the insertion of genes from the psilocybin mushroom into certain bio-organisms. The research and development program is complete and the Company is analyzing results and commercial viability of the initiative.

On August 20, 2018, the Company signed an Exclusive Dealing Agreement with Löbenberg with respect to commercial operations under the license issued pursuant to the Canadian Controlled Drugs and Substance Act held by Löbenberg and Löbenberg's cannabis related research and associated intellectual property. The agreement grants the Company an exclusive right to benefit from the exercise of Löbenberg's rights under the license.

In consideration for the rights granted by Löbenberg to the Company, the Company issued 5,000,000 common shares (the "Consideration Shares"), to a company controlled by Löbenberg with a fair value of $625,000. The Consideration Shares are subject to voluntary pooling ("Escrow") for a period commencing on the effective date of the agreement and terminating on the date that is thirty-six months after the earlier of: (i) the date the Company's shares are listed for trading on the CSE, and (ii) the date that is six months after the effective date of the agreement. The exclusivity period commences on the closing date of the agreement and expires on the earlier of (i) termination of the agreement, and (ii) the date that the last Consideration Shares are released from Escrow. If the license is terminated during the exclusivity period, any remaining Escrowed Consideration Shares will be returned to the Company.

Löbenberg is entitled to revenue-based bonus payments from the sale of certain products developed by Löbenberg alone or jointly with the Company. The eligibility for earning the revenue-based bonus payments expires at the end of the exclusivity period. If the Company generates at least $10,000,000 in revenues annually from the products, Löbenberg is entitled to receive a Level One Bonus of $200,000. If the Company generates at least $5,000,000 in revenues annually from the products, Löbenberg is entitled to receive a Level Two Bonus of $200,000. The Level Two Bonus is payable, at the election of the Company, either in cash or common shares at the current market price. The Company can terminate the Level One and/or Two Bonus entitlements by paying Löbenberg $1,000,000 per each bonus entitlement.

The initial phase of BioNxt's business development is founded on two strategic cannabis-related collaborations with the Faculty of Pharmacy and Pharmaceutical Sciences, UoA (the "Faculty"): 1) an exclusive five year agreement to co-develop and operate a commercial grade analytical lab for the testing of cannabis and other plant-based medicines; and 2) an exclusive five year product manufacturing agreement to extract cannabis-derived compounds and produce pharmaceutical grade isolates.

Pursuant to both agreements, BioNxt provided the necessary start-up funding for any testing and manufacturing equipment and equipment and facility upgrades, as well as all ongoing operational expenses and business marketing. The Faculty shall provide qualified staff, certified laboratory facilities, and ongoing regulatory support. Any necessary testing or manufacturing services not available within the Faculty's facilities shall be outsourced and coordinated by the Faculty.

With respect to analytical testing, the Company entered into a Service Agreement Term Sheet dated May 30, 2018 with the Faculty. Further to the Service Agreement Term Sheet, on September 28, 2018, the Company and the Board of Governors of UoA, executed a Commercial Analytical Lab Development and Services Agreement for the co-develop of a commercial grade analytical lab at UoA for the purpose of testing cannabis and other plant-based medicines.

The agreement contemplates that the parties will enter into a service agreement under which the UoA will provide analytical testing services to the Company and others. The service agreement will have an initial 5-year term and require the Company to pay the UoA for its costs to operate and maintain the facility. Any profit (net revenue) from service fees will first be applied to pay to the Company an amount equal to 125% of its capital expenditures in developing and establishing the analytical testing facility. Once the 125% threshold has been achieved, the Company and the UoA will equally share in profits (net revenues) from service fees.

The Company is responsible to fund the development and construction of the analytical testing facility. The Company has paid substantially all expected development costs including equipment, training, and facility upgrades.

On December 7, 2018, the Company and the UoA executed an exclusive five-year product manufacturing agreement pursuant to which the Faculty agreed to manufacture cannabis-based extracts and isolates. The Company is responsible to provide any necessary equipment for the manufacture of the extracts and isolates and will pay UoA an annual fee estimated at $140,000. The equipment has been delivered and was awaiting commissioning. Commissioning was delayed due to the COVID-19 situation as the supplier has an employee travel ban in place. The Company is reviewing the potential viability of this business.

The purpose of BioNxt's analytical testing agreement is two-fold: 1) to provide third-party testing services to Canadian cannabis cultivators, wholesalers and retailers; and 2) to provide in-house testing for BioNxt's manufacturing business. BioNxt does not intend to cultivate cannabis in Canada nor does it intend to sell cannabis in Canada. Accordingly, BioNxt believes it will be well positioned to provide independent analytical services to both growers and purchasers. The Company is reviewing the viability of its testing business.

Manufacturing capability, focused on production of pharmaceutical grade isolates and other plant-based medical and nutraceutical compounds, is designed to provide BioNxt with access to materials for use in subsequent phases of its business development, namely formulation and pilot studies. Certified in-house testing combined with its manufacturing capability is expected to help facilitate access to quality product on a consistent and timely basis. The Company is reviewing the viability of its extraction business.

On November 5, 2020, the Company signed an addendum to the Exclusive Dealing Agreement to include a wide range of psychedelic compounds under Löbenberg's recently acquired psychedelic testing and research licenses from Health Canada.

In February 2021, the Company signed an agreement with API for the synthesis of pharmaceutical grade psychedelic compounds and the parallel development of the standard operating procedures necessary to obtain regulatory approval for the respective commercial production process. The Company will fund all infrastructure and initial lab set up costs which are estimated at $663,000. The Company will also fund the monthly operation cost at $20,000 per month. The psychedelic work at UoA is focused on the development of pharmaceutical grade EU GMP mescaline.

Other Projects

In January 2020, the Company announced that it had signed a three-year definitive supply, import and distribution agreement with PharmaCielo. Pursuant to the Agreement and subject to all necessary regulatory approvals, BioNxt plans to commence the commercial import of cannabis oils and isolates with a three year minimum sales target of approximately 30,000 kg for a full range of extracted products, including 99% pure CBD and THC isolates, broad spectrum CBD oils, and full spectrum THC oils. All imported products must be EU GMP approved prior to receiving a German import license for each individual product. The Company will work with PharmaCielo to expedite EU GMP approval once they have received local GMP approval in Colombia subject to expiration of the agreement

BioNxt's wholly owned German subsidiary, Bunker, held a long-term lease on a decommissioned former military command centre in Bavaria. On March 29, 2019, Bunker was granted a license for the cultivation of cannabis for scientific purposes valid until December 31, 2022. The application generally related to "production of high-quality cannabis raw material for medical and pharmaceutical uses". After a review of the costs to modify the Bunker 88 Facility and the business opportunities under a license limited to scientific work, the Company terminated the lease agreement in Q1 2022 and does not plan to pursue cultivation of cannabis.

14. Critical Accounting Estimates

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and further periods if the review affects both current and future periods.

Key Sources of Estimation and Uncertainty

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

Share-based compensation

Share-based compensation expense is estimated using the Black-Scholes option pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate. Changes in these subjective input assumptions can materially affect the fair value estimate.

Deferred tax assets

Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. 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.

Valuation of right-of-use asset and lease liabilities

The application of IFRS 16 *Leases* requires the Company to make judgments that affect the valuation of the right-of-use assets and the valuation of lease liabilities. These include: determining agreements in the scope of IFRS 16, determining the contract term and determining the interest rate used for the discounting of cash flows.

The lease term determined by the Company is comprised of the non-cancellable period of lease agreements, periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise those options.

The present value of the lease payment is determined using a discount rate representing the rate of its loan payable observed in the period when the lease agreement commences or is modified.

Intangible assets and goodwill

Management has determined that capitalized intangible asset costs may have future economic benefits and may be economically recoverable. Management uses estimates in determining the recoverable amount of intangible assets and goodwill. The determination of the recoverable amount for the purposes of impairment testing requires the use of estimates, such as anticipated future cash flow and discount rates.

The amortization expense related to intangible assets is determined using estimates relating to the useful life of the intangible asset.

Significant Judgments in Applying Accounting Policies

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognized in the Company's condensed consolidated interim financial statements are as follows:

Business combinations

The determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits. The transaction with 3a GmbH was determined to constitute a business acquisition.

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators, such as expenses and cash flow, financing activities, retention of operating cash flows and frequency of transactions within the reporting entity.

15. NEW STANDARDS NOT YET ADOPTED

Certain new accounting standards and interpretations have been issued that are not mandatory for the reporting period ended September 30, 2022 and have not been early-adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value

Cash is carried at fair value using Level 1 fair value measurement. The carrying values of amounts receivable, accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments. The carrying values of convertible debt and lease liabilities approximate fair values, as there has not been any significant changes in interest rates since initial recognition.

The Company records certain of its financial instruments at fair value using various techniques. These include estimates of fair values based on prevailing market prices (bid and ask prices, as appropriate) for instruments with similar characteristics and risk profiles or internal and external valuation models, such as discounted cash flow analyses, using, to the extent possible, observable market-based inputs.

The financial instruments have been characterized on a fair value hierarchy based on whether the inputs to those valuation techniques are observable (inputs reflect market data obtained from independent sources) or unobservable (inputs reflect the Company's market assumptions).

The three levels of fair value estimation are:

Level 1 – quoted prices in active markets for identical instruments.
Level 2 – quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Financial Risk Management

The Company has exposures to risks of varying degrees of significance that could affect its ability to achieve its strategic objectives. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's maximum exposure to credit risk at September 30, 2022 under its financial instruments is approximately $2,562,000.

Most of the Company's cash is held with a major financial institution in Canada and management believes the exposure to credit risk with respect to such institution is not significant. The Company actively monitors its amounts receivable and believes the exposure to credit risk is insignificant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company currently has no debt subject to variable interest rates. Accordingly, the Company has limited exposure to interest rate movements.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it projects the funds required to support its operations.

Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

The following is a summary of the maturities for the Company's lease liabilities as at September 30, 2022:

	Up to 1 year **$**	**1 - 2 years** **$**	**> 2 years** **$**
Lease liabilities	37,543	8,471	-

Foreign exchange rate risk

The Company operates in Canada and Germany and is, therefore, exposed to foreign exchange risk arising from transactions denominated in a foreign currency. The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reporting results of the Company, and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

The Company is exposed to foreign currency risk through the following financial assets and liabilities held in euros (translated to Canadian dollars):

	September 30, 2022 **$**	**December 31, 2021** **$**
Cash	198,567	1,007,842
Amounts receivable	296,928	457,537
Total financial assets	495,495	1,465,379
Accounts payable and accrued liabilities	(700,414)	(1,593,816)
Lease liability	(43,259)	(818,038)
Net statement of financial position exposure	(248,178)	(946,475)

At September 30, 2022, a 10% appreciation (depreciation) in the value of the euro against the Canadian dollar, with all other variables held constant, would result in approximately a $25,000 increase (decrease) in the Company's net loss for the period.

17. SUBSEQUENT EVENTS TO SEPTEMBER 30, 2022

a) On October 7, 2022, the Company granted 50,000 stock options with an exercise price $0.50 and a term to expiry of two years.

18. RISKS AND UNCERTAINTIES

Conflicts of Interest

Certain directors of the Company also serve as directors and/or officers of other companies involved in other business ventures. Consequently, there exists the possibility for such directors to be in a position of conflict. Any decision made by such directors involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

Negative Operating Cash Flows

As the Company is an early-stage start-up it may continue to have negative operating cash flows. Without the injection of further capital and the development of revenue streams from its business, the Company may continue to have negative operating cash flows until it can realize stable cash flow from operations.

Risks Related as a Going Concern

The ability of the Company to continue as a going concern is uncertain and dependent upon its ability to achieve profitable operations, obtain additional capital and receive continued support from its shareholders. Management of the Company will have to raise capital through private placements or debt financing and proposes to continue to do so through future private placements and offerings. The outcome of these matters cannot be predicted at this time.

Reliance on Key Personnel and Advisors

The Company relies heavily on its officers and directors. The loss of their services may have a material adverse effect on the business of the Company. There can be no assurance that one or all of the employees of, and contractors engaged by, the Company will continue in the employ of, or in a consulting capacity to, the Company or that they will not set up competing businesses or accept positions with competitors. There is no guarantee that certain employees of, and contractors to, the Company who have access to confidential information will not disclose the confidential information.

Management's Responsibility for the Financial Statements

The information provided in this report is the responsibility of management. In the preparation of these condensed consolidated interim financial statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying condensed consolidated interim financial statements.

COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies and financial markets globally,

potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including the Company's. This outbreak could decrease spending, adversely affect and harm our business and results of operations. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

Risk Factors

Market risk for securities

There can be no assurance that an active trading market for our common shares will be sustained. The market price for our common shares could be subject to wide fluctuations. Factors such as government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of our securities. The stock market has from time-to-time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

Uninsured or uninsurable risk

We may become subject to liability for risks against which we cannot insure or against which we may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for our usual business activities. Payment of liabilities for which we do not carry insurance may have a material adverse effect on our financial position and operations.

Key personnel risk

Our success will depend on our directors and officers to develop our business and manage our operations, and on our ability to attract and retain key quality assurance, scientific, sales, public relations and marketing staff or consultants once operations begin. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on our business. Competition for qualified technical, sales and marketing staff, as well as officers and directors, can be intense and no assurance can be provided that we will be able to attract or retain key personnel in the future, which may adversely impact our operations.

No established market for shares risk

There is currently no established trading market through which common shares in our authorized capital may be sold. Even if a trading market develops, there can be no assurance that such market will continue in the future. An investor may lose their entire investment.

Dividend risk

We have not paid dividends in the past and do not anticipate paying dividends in the near future. We expect to retain any earnings to finance further growth and, when appropriate, retire debt.

Share price volatility risk

External factors outside of our control, such as announcements of quarterly variations in operating results, revenues and costs, and sentiments toward the cannabis sector stocks may have a significant impact on the market price of our common shares. Global stock markets, including the exchanges on which the Company trades, have from time-to-time experienced extreme price and volume fluctuations that have often been unrelated to the operations of particular companies. There can be no assurance that an active or liquid market will develop or be sustained for the common shares.

The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management.

The Company's actual financial position and results of operations may differ materially from management's expectations. As a result, the Company's revenue, net income (loss) and cash flows may differ materially from the Company's projected revenue, net income (loss) and cash flows. The process for estimating the Company's revenue, net income (loss) and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

Nature of the Business Model

Probable lack of business diversification

Because the Company will be focused on developing its business ancillary to the cannabis industry, and potentially directly in the cannabis industry, the prospects for the Company's success will be dependent upon the future performance and market acceptance of the Company's intended facilities, products, processes and services. Unlike certain entities that have the resources to develop and explore numerous product lines, operating in multiple industries or multiple areas of a single industry, the Company does not anticipate the ability to immediately diversify or benefit from the possible spreading of risks or offsetting of losses. Again, the prospects for the Company's success may become dependent upon the development or market acceptance of a very limited number of facilities, products, processes or services.

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, regulatory compliance and operations.

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's efforts to grow its business may be costlier than the Company expects, and the Company may not be able to increase its revenue enough to offset its higher operating expenses. The Company may incur significant losses in the future for a number of reasons and unforeseen expenses, difficulties, complications and delays, and other unknown events. If the Company is unable to achieve and sustain profitability, the market price of the common shares may significantly decrease.

There is no assurance that the Company will turn a profit or generate immediate revenues.

There is no assurance as to whether the Company will be profitable, earn revenues or pay dividends. The Company has incurred and anticipates that it will continue to incur substantial expenses relating to the development and initial operations of its business.

The payment and amount of any future dividends will depend upon, among other things, the Company's results of operations, cash flows, financial condition, and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

The Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business.

The Company has grown by acquisition. If the Company implements its business plan as intended, it may in the future experience rapid growth and development in a relatively short period of time. The management of this growth will require, among other things, continued development of the Company's financial and management controls, management information systems, stringent control of costs, the ability to attract and retain qualified management personnel, and the training of new personnel. The Company intends to utilize outsourced resources and hire additional personnel, to manage its expected growth and expansion. Failure to successfully manage its possible growth and development could have a material adverse effect on the Company's business and the value of the common shares.

The Company may be unable to adequately protect its proprietary and intellectual property rights.

The Company's ability to compete may depend on the superiority, uniqueness and value of any intellectual property and technology that it may develop. To the extent the Company is able to do so, to protect any proprietary rights of the Company, the Company intends to rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, any of the following occurrences may reduce the value of any of the Company's intellectual property:

- Patents in the cannabis industry involve complex legal and scientific questions, and patent protection may not be available for some or any products; the Company's applications for trademarks and copyrights relating to its business may not be granted, and, if granted, may be challenged or invalidated;
- Issued patents, trademarks and registered copyrights may not provide the Company with competitive advantages; the Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of any of its products or intellectual property;
- The Company's efforts may not prevent the development and design by others of products or marketing strategies similar to or competitive with, or superior to those the Company develops;
- Another party may assert a blocking patent and the Company would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products; or
- The expiration of patent or other intellectual property protections for any assets owned by the Company could result in significant competition, potentially at any time and without notice, resulting in a significant reduction in sales. The effect of the loss of these protections on the Company and its financial results will depend, among other things, upon the nature of the market and the position of the Company's products in the market from time to time, the growth of the market, the complexities and economics of manufacturing a competitive product, and regulatory approval requirements, but the impact could be material and adverse.

The Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights.

The Company may be forced to litigate to enforce or defend its intellectual property rights, to protect its trade secrets or to determine the validity and scope of other parties' proprietary rights. Any such litigation could be very costly and could distract its management from focusing on operating the Company's business. The existence and/or outcome of any such litigation could harm the Company's business. Further, because the content of much of the Company's intellectual property concerns cannabis and other activities that are not legal in some US state jurisdictions or under US federal law, the Company may face additional difficulties in defending its intellectual property rights.

The Company may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on the Company's reputation, business, results from operations and financial condition.

The Company may be named as a defendant in a lawsuit or regulatory action. The Company may also incur uninsured losses for liabilities, which arise in the ordinary course of business, or which are unforeseen, including, but not limited to, employment liability and business loss claims. Any such losses could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition.

The Company faces competition from other companies where it will conduct business that may have higher capitalization, more experienced management or may be more mature as a business.

An increase in the number of companies competing in this industry could limit the ability of the Company to expand its operations. Current and new competitors may have better capitalization, a longer operating history, more expertise and be able to develop higher quality equipment or products, at the same or a lower cost. The Company cannot provide assurances that it will be able to compete successfully against current and future competitors. Competitive pressures faced by the Company could have a material adverse effect on its business, operating results and financial condition.

If the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the market.

The Company's success has depended and continues to depend upon its ability to attract and retain key management, including the Company's CEO, CFO and technical experts. The Company will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees or engineering and technical support resources could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Company, results of operations of the business, and could limit the Company's ability to develop and market its cannabis-related products. The loss of any of the Company's senior management or key employees could materially adversely affect the Company's ability to execute the Company's business plan and strategy, and the Company may not be able to find adequate replacements on a timely basis, or at all. The Company does not maintain key person life insurance policies on any of the Company's employees.

There is no assurance that the Company will obtain and retain any relevant licenses.

If obtained, any licenses are expected to be subject to ongoing compliance and reporting requirements. Failure by the Company to comply with the requirements of licenses or any failure to maintain licenses would have a material adverse impact on the business, financial condition and operating results of the Company.

The size of the Company's target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data.

Because the cannabis industry is in an early stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected,

which may negatively impact its financial results. The Company regularly purchases and follows market research.

The Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition.

The cannabis industry and businesses ancillary to and directly involved with cannabis businesses are undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Company in a number of ways, including by losing strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, revenue and market share, or forcing the Company to expend greater resources to meet new or additional competitive threats, all of which could harm the Company's operating results. As competitors enter the market and become increasingly sophisticated, competition in the Company's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its profitability. The Company continues to sell shares for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders.

There is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company will require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of common shares. The Company's articles permit the issuance of an unlimited number of common shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The directors of the Company have discretion to determine the price and the terms of issue of further issuances. Moreover, additional common shares will be issued by the Company on the exercise of options under the stock option plan and upon the exercise of outstanding warrants. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company may require additional financing to fund its operations to the point where it is generating positive cash flow. Negative cash flow may restrict the Company's ability to pursue its business objectives.

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company.

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violate government regulations. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the

Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company will be reliant on information technology systems and may be subject to damaging cyberattacks.

The Company has not experienced any material losses to date relating to cyberattacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated due to, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

In certain circumstances, the Company's reputation could be damaged.

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

No guarantee on the use of available funds by the Company

The Company cannot specify with certainty the particular uses of available funds. Management has broad discretion in the application of its proceeds. Accordingly, a holder of common shares will have to rely upon the judgment of management with respect to the use of available funds, with only limited information concerning management's specific intentions. The Company's management may spend a portion or all of the available funds in ways that the Company's shareholders might not desire, that might not yield a favourable return and that might not increase the value of a purchaser's investment. The failure by management to apply these funds effectively could harm the Company's business. Pending use of such funds, the Company might invest the available funds in a manner that does not produce income or that loses value.

Currency fluctuations

A significant portion of the Company's German subsidiary expenses are expected to be denominated in euros, and therefore, may be exposed to significant currency exchange fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Fluctuations in the exchange rate between the euro and the Canadian dollar may have a material adverse effect on the Company's business, financial condition and operating results. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

19. OUTSTANDING SHARE DATA

Authorized and issued share capital as at November 28, 2022:

Class	Par Value	Authorized	Issued Number
Common	No par value	Unlimited	91,209,873

- As at November 28, 2022, there were 5,561,000 stock options outstanding.
- As at November 28, 2022, there were 10,553,125 warrants outstanding.

20. OTHER INFORMATION

Additional information on the Company is available on SEDAR at www.sedar.com.