BioNxt Solutions Inc.
(formerly XPhyto Therapeutics Corp.)

Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
BioNxt Solutions Inc. (formerly XPhyto Therapeutics Corp.)

Opinion

We have audited the accompanying consolidated financial statements of BioNxt Solutions Inc. (formerly XPhyto Therapeutics Corp.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity (deficiency) for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has a working capital deficit of $1,326,235 as at December 31, 2022 and incurred a loss of $12,376,071 for the year then ended. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our report.

Impairment of Goodwill and Intangible Assets

As described in Note 6 to the consolidated financial statements, the carrying amount of the Company's goodwill and intangible assets were $nil and $1, respectively as of December 31, 2022. As more fully described in Notes 2 and 3 to the consolidated financial statements, management uses estimates and judgement in determining the recoverable amount of goodwill and indefinite lived intangible assets. The Company completed an impairment analysis of its indefinite lived intangible assets and goodwill impairment test at year end at the cash generating unit ("CGU") level, resulting in the impairment of the goodwill and intangible assets.

The impairment analysis of both the indefinite lived intangible assets and goodwill used in the determination of the recoverable amount at the CGU level identified that the carrying value was higher than the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use and requires significant management judgement and estimation uncertainty of key inputs such as anticipated future cash flows and discount rates.

The principal considerations for our determination that impairment of the goodwill and intangible assets is a key audit matter are the significant management judgement and are subject to estimation uncertainty which could have a material effect on the outcome of the impairment test. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence in connection with the estimates and judgements made by management in the determination of the recoverable amount of the goodwill and indefinite lived intangible assets.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, but were not limited to:

- Obtaining an understanding of the key controls over management’s process in assessing impairment indicators and determining the recoverable amount of the CGU related to goodwill and indefinite lived intangibles.
- Evaluating the appropriateness of the impairment testing methodology and the underlying assumptions used in the process.
- Evaluating the assumptions used in the testing for consistency with the Company’s historical performance, industry, and management’s expectations.
- Utilizing our internal valuation expert to assess appropriateness of the model and certain assumptions used in the impairment test.
- Testing the completeness and accuracy of the information used by management to determine the recoverable amount of the CGU and to support the recoverable value of the goodwill and intangible assets.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management’s Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Carmen Newnham.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 10, 2023

BIONXT SOLUTIONS INC.
(formerly XPhyto Therapeutics Corp.)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at	Note	December 31, 2022	December 31, 2021
Assets			
Current Assets			
Cash		$ 136,196	$ 1,351,981
Amounts receivable		458,717	546,322
Inventory		-	736,164
Prepaid expenses		96,193	69,393
		691,106	**2,703,860**
Non-current Assets			
Property and equipment	5	890,894	1,057,737
Intangible assets	6	12	1,018,680
Right-of-use assets	7	30,578	71,449
Goodwill	6	-	4,874,892
Total Assets		**$ 1,612,590**	**$ 9,726,618**
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	8, 13	$ 1,369,975	$ 2,320,225
Lease liabilities	7	34,700	152,979
Convertible debt	9	612,666	2,976,431
		2,017,341	**5,449,635**
Non-current Liabilities			
Lease liabilities	7	-	665,060
Convertible debt	9	3,723,644	1,661,279
Deferred tax liability	19	-	282,000
Total Liabilities		**5,740,985**	**8,057,974**
Equity			
Shareholders' Equity (Deficiency)			
Share capital	10	45,376,693	39,346,125
Treasury shares	10	-	(200,000)
Reserves		5,526,793	5,482,819
Equity component of convertible debt	9	615,477	367,476
Accumulated other comprehensive income (loss)		(100,563)	49,604
Accumulated deficit		(55,546,795)	(43,377,380)
Total Shareholders' Equity (Deficiency)		**(4,128,395)**	**1,668,644**
Total Liabilities and Shareholders' Equity (Deficiency)		**$ 1,612,590**	**$ 9,726,618**

Nature and Continuance of Operations (Note 1)
Commitment (Note 17)
Subsequent Events (Note 20)

Approved by the directors on April 10, 2023

Hugh Rogers (signed) ***Peter Damouni (signed)***

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

BIONXT SOLUTIONS INC.
(formerly XPhyto Therapeutics Corp.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Year Ended December 31, 2022	2021
Revenues (Note 12)	$ 297,442	$ 286,498
Cost of Sales	(101,827)	(87,020)
Gross Profit	195,615	199,478
Operating Expenses		
Bad debts	17,662	-
Consulting fees (Note 13)	1,207,718	1,334,976
Depreciation and amortization (Notes 5, 6 and 7)	215,602	823,215
Foreign exchange loss (gain)	(137,673)	99,142
Marketing and advertising	660,919	5,374,776
Office and miscellaneous	355,561	470,225
Professional fees (Note 13)	529,064	609,365
Regulatory fees	109,767	115,812
Rent and utilities	68,291	125,703
Research and lab fees (Note 13)	2,110,587	3,343,348
Salaries, benefits and other remuneration (Note 13)	833,412	859,395
Selling and distribution	13,782	133,811
Share-based compensation (Notes 11 and 13)	113,825	3,275,071
Travel and related	35,801	63,550
Total Operating Expenses	(6,134,318)	(16,628,389)
Operating Loss	(5,938,703)	(16,428,911)
Other Income (Expense)		
Finance costs (Notes 7 and 9)	(1,142,562)	(731,865)
Government subsidy	13,786	19,719
Gain on settlement of accounts payable and accrued liabilities (Note 10)	28,604	67,755
Gain on termination of lease liability (Note 7)	662,743	2,431
Impairment of intangible assets and goodwill (Note 6)	(5,886,924)	-
Write-down of equipment	-	(217,491)
Write-down of inventory	(606,929)	-
Write-down of right-of-use asset (Note 7)	-	(3,459,481)
Total Other Income (Expense)	(6,931,282)	(4,318,932)
Loss Before Income Tax Recovery	(12,869,985)	(20,747,843)
Corporate tax recovery	101,063	-
Deferred tax recovery	392,851	110,739
Loss for the Year	(12,376,071)	(20,637,104)
Cumulative translation adjustment	(150,167)	(2,002)
Comprehensive Loss for the Year	$ (12,526,238)	$ (20,639,106)
Loss Per Share – Basic and Diluted	$ (0.15)	$ (0.29)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	83,773,816	70,234,876

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

BIONXT SOLUTIONS INC.
(formerly XPhyto Therapeutics Corp.)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year Ended December 31, 2022	2021
Operating Activities		
Loss for the year	$ (12,376,071)	$ (20,637,104)
Adjustments for		
Bad debts	17,662	-
Deferred tax recovery	(392,851)	(110,739)
Depreciation and amortization	215,602	823,215
Share-based compensation	113,825	3,275,071
Finance costs	1,142,562	731,865
Foreign exchange gain	(193,402)	(1,164)
Gain on termination of lease liability	(662,743)	(2,431)
Gain on settlement of accounts payable and accrued liabilities	(28,604)	(67,755)
Impairment of intangible assets and goodwill	5,886,924	-
Write-down of inventory	606,929	-
Write-down of equipment	-	217,491
Write-down of right-of-use asset	-	3,459,481
Shares issued per consulting agreements	-	234,249
Shares issued per a development agreement	-	341,500
Changes in non-cash working capital items		
Amounts receivable	69,943	(214,525)
Inventory	129,235	(736,164)
Prepaid expenses	(26,800)	75,634
Accounts payable and accrued liabilities	(731,926)	456,325
Cash Used in Operating Activities	(6,229,715)	(12,155,051)
Investing Activities		
Acquisition of property and equipment	(3,858)	(452,347)
Cash paid on acquisition of 3a-diagnostics GmbH	-	(5,673,365)
Cash assumed on acquisition of 3a-diagnostics GmbH	-	817,753
Cash Used in Investing Activities	(3,858)	(5,307,959)
Financing Activities		
Proceeds from issuance of shares	5,900,000	7,350,000
Share issuance costs	(472,000)	(589,584)
Proceeds from issuance of convertible debenture, net of cash costs	2,583,060	2,298,448
Proceeds from exercise of warrants	-	7,534,096
Proceeds from exercise of options	357,000	62,500
Convertible debenture payments	(3,439,755)	(290,383)
Repayment of lease liabilities	(73,804)	(134,605)
Payment to terminate lease	(31,737)	-
Proceeds on sale of treasury shares	200,000	-
Cash Provided by Financing Activities	5,022,764	16,230,472
Effect of Exchange Rate on Cash	(4,976)	(424)
Change in Cash for the Year	(1,215,785)	(1,232,962)
Cash, Beginning of Year	1,351,981	2,584,943
Cash, End of Year	$ 136,196	$ 1,351,981

Supplemental Disclosure with Respect to Cash Flows (Note 18)

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

BIONXT SOLUTIONS INC.
(formerly XPhyto Therapeutics Corp.)
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian dollars)

	Number of Common Shares	Share Capital $	Treasury Shares $	Reserves $	Equity Component of Convertible Debt $	Accumulated Other Comprehensive Income (Loss) $	Accumulated Deficit $	Total Shareholders' Equity (Deficiency) $
Balance, January 1, 2021	62,349,024	24,585,364	-	4,030,006	265,115	51,606	(24,926,438)	4,005,653
Share issuances, financing	6,000,000	7,350,000	-	-	-	-	-	7,350,000
Issuance costs	-	(589,584)	-	-	-	-	-	(589,584)
Finders' warrants	-	(317,502)	-	317,502	-	-	-	-
Treasury shares	(200,000)	-	(200,000)	-	-	-	-	(200,000)
Shares issued per a development, technology purchase and license agreement	150,000	341,500	-	-	-	-	-	341,500
Shares issued per marketing agreement	23,735	50,849	-	-	-	-	-	50,849
Shares issued per consulting agreement	140,000	183,400	-	-	-	-	-	183,400
Share-based compensation	-	-	-	3,275,071	-	-	-	3,275,071
Issuance of convertible debt	-	-	-	191,904	102,361	-	-	294,265
Issuance of shares on exercise of warrants	8,940,275	7,648,042	-	(113,946)	-	-	-	7,534,096
Issuance of shares on exercise of options	50,000	94,056	-	(31,556)	-	-	-	62,500
Expired and forfeited options	-	-	-	(2,186,162)	-	-	2,186,162	-
Cumulative translation adjustment	-	-	-	-	-	(2,002)	-	(2,002)
Loss for the year	-	-	-	-	-	-	(20,637,104)	(20,637,104)
Balance, December 30, 2021	77,453,034	39,346,125	(200,000)	5,482,819	367,476	49,604	(43,377,380)	1,668,644
Share issuances, financing	12,300,000	5,900,000	-	-	-	-	-	5,900,000
Issuance costs	-	(472,000)	-	-	-	-	-	(472,000)
Finders' warrants	-	(199,002)	-	300,217	-	-	-	101,215
Issuance of shares on settlement of accounts payable and accrued liabilities	442,839	177,136	-	-	-	-	-	177,136
Issuance of shares on conversion of convertible debt	100,000	104,022	-	-	(4,022)	-	-	100,000
Share-based compensation	-	-	-	113,825	-	-	-	113,825
Issuance of convertible debt	-	-	-	-	252,023	-	-	252,023
Issuance of shares on exercise of options	714,000	520,412	-	(163,412)	-	-	-	357,000
Expired options	-	-	-	(206,656)	-	-	206,656	-
Sale of treasury shares	200,000	-	200,000	-	-	-	-	200,000
Cumulative translation adjustment	-	-	-	-	-	(150,167)	-	(150,167)
Loss for the year	-	-	-	-	-	-	(12,376,071)	(12,376,071)
Balance, December 31, 2022	91,209,873	45,376,693	-	5,526,793	615,477	(100,563)	(55,546,795)	(4,128,395)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

BioNxt Solutions Inc. (formerly XPhyto Therapeutics Corp.) (the "Company" or "BioNxt") 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's shares are trading on the Canadian Securities Exchange ("CSE") under the symbol "BNXT", on the OTCQB under the symbol "BNXTF" and on the Frankfurt exchange under the symbol "4XT".

The Company's head office is located at 270 – 1820 Fir Street, Vancouver, British Columbia, Canada, V6J 3B1. The Company's registered and records office is 1500 – 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis.

To date, the Company has incurred losses and further losses are anticipated as the Company continues to develops its business. The continuing operations of the Company are dependent upon its ability to generate profitable operations in the future, and to continue to secure additional financing. There can be no assurance that the Company will be successful in its efforts to raise additional financing or if financing is available or that it will be on terms that are acceptable to the Company. The Company has a working capital deficit of $1,326,235 as at December 31, 2022 and incurred a loss of $12,376,071 for the year then ended. The Company anticipates it will need further funding to maintain its operations and activities for the next 12 months. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments related to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect on the Company's business or ability to raise funds.

2. BASIS OF PRESENTATION

a) Statement of compliance to International Financial Reporting Standards

The consolidated financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board, and interpretations of the International Financial Reporting Interpretations Committee effective for the Company's reporting for the year ended December 31, 2022.

These consolidated financial statements were authorized by the Company's directors on April 10, 2023.

2. BASIS OF PRESENTATION (cont'd)

b) Basis of consolidation

The following entities have been consolidated within these consolidated financial statements:

Entity	Registered	Holding
BioNxt Solutions Inc.	British Columbia, Canada	Parent company
XPhyto Laboratories Inc.	Alberta, Canada	100% owned
Bunker Pflanzenextrakte GmbH ("Bunker")	Germany	100% owned
XP Diagnostics GmbH	Germany	100% owned
Vektor Pharma TF GmbH ("Vektor")	Germany	100% owned
SCUR-Alpha 1108 GmbH	Germany	100% owned
3a-diagnostics GmbH ("3a GmbH")	Germany	100% owned
Vektor Vermogens und Grundbesitz GmbH	Germany	100% owned

The subsidiaries are controlled by the Company. Control exists when the Company is exposed, or has rights, to the variable returns from its involvement with the investee and can affect those returns through its power over the investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

c) Basis of measurement

These consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, except for financial instruments measured at fair value. The consolidated financial statements are presented in Canadian dollars.

d) Use of estimates and judgments

The preparation of the consolidated 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 consolidated 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.

2. BASIS OF PRESENTATION (cont'd)

d) Use of estimates and judgments (cont'd)

Key sources of estimation 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:

i) 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.

ii) 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.

iii) 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. Intangible assets are assessed for impairment indicators at each reporting date and goodwill is tested for impairment annually. The determination of the recoverable amount for the purposes of impairment testing requires the use of estimates, such as anticipated future cash flows and discount rates.

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

iv) Convertible debentures
The equity component of the convertible debenture is calculated using a discounted cash flow method, which requires management to make an estimate on an appropriate discount rate. Changes in the discount rate can materially affect the calculation of the equity component.

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 consolidated financial statements are as follows:

i) 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.

2. BASIS OF PRESENTATION (cont'd)

d) Use of estimates and judgments (cont'd)

Significant judgments in applying accounting policies (cont'd)

ii) 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.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash

Cash includes highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

b) Inventory

Inventories are stated at the lower of cost and net realizable value ("NRV"). Inventory consists of finished goods. Cost is determined using the first-in-first-out method, and includes materials, freight-in and, where applicable, direct labour and overhead. NRV is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

As at December 31, 2022, the Company has no inventory. As at December 31, 2021, inventory consisted primarily of finished goods.

c) Property and Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Equipment is depreciated annually on a straight-line basis over the estimated useful life of the assets. Both office equipment and fixtures and computer hardware are depreciated over a useful life of three years. Testing, lab equipment and machines are depreciated over useful lives ranging up to 15 years. Land is carried at cost and has an unlimited useful life and therefore is not depreciated.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

The Company compares the carrying value of equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d) Intangible assets

Intangible assets consist of website design, acquired exclusivity rights to a license issued pursuant to the Canadian Controlled Drugs and Substances Act and related research and intellectual property, as well as its wholly owned subsidiary Vektor, holds several narcotic licenses and permits pursuant to European Union good manufacturing practices ("EU GMP") certification and other governing regulations.

Intangible assets with finite useful lives are measured at cost less accumulated amortization and impairment losses. Intangible assets are amortized on a straight-line basis over the estimated useful life being the exclusivity period of approximately three years. Website design is amortized over three years. Narcotic licenses and permits pursuant to EU GMP certification are amortized on a straight-line basis over five years. Intellectual property are indefinite life intangible assets and are not amortized.

e) Right-of-use assets and lease liabilities

The Company assesses whether a contract is or contains a lease at inception of a contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term unless another systematic basis is more representative of the usage of the economic benefits from the leased asset.

The lease liability is initially measured at the present value of the future lease payments at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrow rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, payments made on or before the lease commencement and any direct costs. They are subsequently measured at cost less depreciation and any impairment losses. Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset.

During the year ended December 31, 2022, the Company incurred $12,946 (2021 - $58,174) for short-term leases not included in lease liabilities.

f) Impairment of non-current assets

At each reporting date, the carrying amounts of the Company's non-current assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

f) Impairment of non-current assets (cont'd)

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss.

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

g) Convertible debt

Convertible debentures are financial instruments that are accounted for separately depending on the nature of their components: a financial liability and an equity instrument. The identification of such components embedded within a convertible debenture requires significant judgment given that it is based on the interpretation of the substance of the contractual arrangement. Where the conversion option has a fixed conversion rate, the financial liability, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance.

h) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as finance costs in profit or loss.

i) Share capital

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of tax, from the proceeds.

The value of common shares and warrants issued as private placement units is measured using the residual value method, which first allocated value to the more easily measurable component based on fair value (common shares in the private placements) and then the residual value, if any, to the less easily measurable component (warrants in the private placements). Warrants that are issued as agency compensation or other transaction costs are accounted for as share issuance costs.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j) Share-based payments

The Company grants stock options to directors, officers, employees and/or consultants. The fair value of stock options is measured on the grant date, using the Black-Scholes option pricing model and is recognized over the vesting period of the related options. Consideration paid for the shares on the exercise of stock options is credited to share capital. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined that the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve.

For vested options that have expired or were cancelled unexercised, the Company reverses the share-based payment reserve against deficit.

k) Reserves

Reserve records items recognized as share-based compensation until such time that the options or compensatory warrants are exercised, at which time the corresponding amount is reallocated to share capital. Amounts recorded for forfeited or expired options or warrants are transferred to deficit.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the options or compensatory warrants, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option or warrant.

l) Loss per share

Basic and diluted loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. For all years presented, the loss available to common shareholders equals the reported loss. Diluted loss per share does not adjust the loss attributable to common shareholders when the effect is anti-dilutive. Contingently returnable shares are not considered outstanding for loss per share calculations.

As the Company incurred net losses for the years presented, outstanding options and warrants were not included in the computation of diluted loss per share, as their inclusion would be anti-dilutive.

m) Revenue recognition

The Company recognizes revenue from the sales of test kits, analytical testing and consulting services. Revenue is recognized upon transfer of control of the promised goods or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services or upon satisfaction of performance obligations under the contract terms. Performance obligations are satisfied and revenue is recognized, either over time or at a point in time, according to the specific terms of the contract

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

n) Research and development

Expenditures on research activities, undertaken with the prospect of gaining new or technical knowledge and understanding, are recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and has the ability to use or sell the asset. The expenditures capitalized include the costs of materials, direct labor, overhead costs that are directly attributable to preparing the asset for its intended use and borrowing costs on qualifying assets. Other development expenditures are recognized in profit or loss as incurred.

o) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations.

p) Foreign currency translation

The functional currency of BioNxt Solutions Inc., the parent entity, is the Canadian dollar, which is also the presentation currency of the consolidated financial statements. The functional currencies for the subsidiaries of BioNxt are as follows:

- Canadian dollars for XPhyto Laboratories Inc., Bunker, XP Diagnostics GmbH, Vektor Vermogens und Grundbesitz GmbH, 3a- GmbH and SCUR-Alpha 1108 GmbH.
- Euros ("€") for Vektor.

Transactions in currencies other than the functional currency of an entity are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities are translated using the period-end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

Where applicable, the functional currency of an entity is translated into the presentation currency using the period-end rates for assets and liabilities while the operations and cash flows are translated using average rates of exchange. Exchange adjustments arising when net assets and profit or loss are translated into the presentation currency are taken into a separate component of equity and reported in other comprehensive income or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

q) Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition, except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI, are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income or loss.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Amounts receivable are measured at amortized cost with subsequent impairments recognized in profit or loss. Cash is classified as FVTPL.

Impairment

An "expected credit loss" impairment model applies, which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted as the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either (i) FVTPL; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost, except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities, lease liabilities and convertible debt are classified at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

r) Business combinations

Acquisitions of business are accounted for using the acquisition method. The consideration of each business combination is measured, at the date of the exchange, as the aggregate of the fair value of assets given, liabilities incurred or assumed and equity instruments issued by the Company to the former owners of the acquiree in exchange for control of the acquiree. Acquisition-related costs incurred for the business combination are expensed. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the consideration of the acquisition over the Company's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities recognized. If the Company's interest in the fair value of the acquiree's net identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the excess is recognized in profit or loss immediately. Goodwill may also arise as a result of the requirement under IFRS to record a deferred tax liability on the excess of the fair value of the acquired assets over their correspondence tax bases, with the corresponding offset recorded as goodwill.

s) Goodwill

Goodwill arising on the acquisition of a business is carried at cost as established at the date of the acquisition less accumulated impairment losses, if any. Goodwill is allocated to each of the Company's CGU that is expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

t) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of loss and comprehensive loss, except to the extent that it relates to items recognized directly in equity, in which case the income tax is also directly recognized as equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided for using temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. The carrying amount of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent it becomes probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

t) Income taxes (cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset, and they relate to the income taxes levied by the same tax authority and the Company intends to settle current tax liabilities and assets on a net basis or their tax assets and tax liabilities will be realized simultaneously.

Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit.

u) Treasury shares

The cost of the Company's own equity instruments that it has re-acquired is deducted from equity. Gain or loss is not recognized on the purchase, sale, issue or cancellation of treasury shares.

v) New standards not yet adopted

The following amendments will be effective for annual reporting periods beginning on or after January 1, 2023:

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy.

Definition of Accounting Estimates (Amendments to IAS 8) – the amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

The Company anticipates that these amendments will not have a material impact on the results and financial position of the Company.

(Expressed in Canadian dollars)

4. BUSINESS COMBINATION

On July 15, 2021, the Company entered into a definitive share purchase agreement to acquire all the issued and outstanding shares of 3a GmbH.

The Company closed the share purchase agreement on December 1, 2021 and paid 200,000 € ($289,152) on July 20, 2021, 200,000 € ($289,152) on July 21, 2021 and 3,500,000 € ($5,060,164) plus interest of 24,137 € ($34,897) on closing. The Euro/Canadian dollar exchange rate on the date of the transaction was 1.4458. In addition, under the terms of the acquisition, if the Company transfers 3a GmbH shares in whole or in part to a third party within two years from the closing date, the sellers will receive a total of 10% of any additional proceeds.

The acquisition has been accounted for as a business combination. As at the time of the transaction, 3a GmbH met the definition of a business. The purchase price of the acquisition has primarily been allocated as follows:

Purchase price		
Cash	**$**	**5,673,365**
Cash	$	817,753
Amounts receivable		26,126
Marketable securities		200,000
Prepaid expenses		5,812
Equipment		1,997
Intangible asset		1,012,033
Right-of-use asset		14,003
Goodwill		4,874,892
Accounts payable and accrued liabilities		(966,151)
Lease liability		(16,100)
Deferred tax liability		(297,000)
	$	**5,673,365**

Marketable securities relate to 200,000 common shares of the Company held by 3a GmbH at the date of acquisition. Subsequent to the acquisition, the shares were accounted for as treasury shares until sold during the year ended December 31, 2022 (Note 10(b)).

The above acquisition contributed revenue of $nil and a net loss of $50,155 to the Company's 2021 consolidated results from the date of acquisition. If the acquisition had occurred on January 1, 2021, based on unaudited information, management estimates that the Company's consolidated net loss would have decreased by approximately $457,000 for the year ended December 31, 2021.

Goodwill arising from the acquisition represents expected synergies, future income, growth, assembled workforce and other intangibles that do not qualify for separate recognition. None of the goodwill arising from this acquisition is expected to be deductible for tax purposes.

(Expressed in Canadian dollars)

5. PROPERTY AND EQUIPMENT

	Land $	Office Equipment and Fixtures $	Computer Hardware $	Testing, Lab Equipment and Machines $	Total $
Cost					
Balance at January 1, 2021	-	77,976	28,376	1,117,862	1,224,214
Additions	348,518	32,667	-	71,162	452,347
Addition from acquisition of 3a GmbH (Note 4)	-	-	1,997	-	1,997
Dispositions	-	-	-	(217,491)	(217,491)
Cumulative translation adjustment	-	(5,653)	(285)	(44,820)	(50,758)
Balance at December 31, 2021	348,518	104,990	30,088	926,713	1,410,309
Additions	-	3,858	-	-	3,858
Cumulative translation adjustment	-	1,804	12	2,563	4,379
Balance at December 31, 2022	**348,518**	**110,652**	**30,100**	**929,276**	**1,418,546**
Accumulated Depreciation					
Balance at January 1, 2021	-	11,397	14,596	160,684	186,677
Depreciation	-	13,394	8,566	157,187	179,147
Cumulative translation adjustment	-	(896)	(261)	(12,095)	(13,252)
Balance at December 31, 2021	-	23,895	22,901	305,776	352,572
Depreciation	-	13,595	5,096	150,554	169,245
Cumulative translation adjustment	-	535	16	5,284	5,835
Balance at December 31, 2022	**-**	**38,025**	**28,013**	**461,614**	**527,652**
Carrying Amounts					
As at December 31, 2021	348,518	81,095	7,187	620,937	1,057,737
As at December 31, 2022	**348,518**	**72,627**	**2,087**	**467,662**	**890,894**

6. INTANGIBLE ASSETS AND GOODWILL

On August 20, 2018, the Company signed an exclusive dealing agreement with Dr. Raimar Löbenberg ("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.

During the year ended December 31, 2019, as part of the acquisition of the Company's wholly owned subsidiary, Vektor, the Company acquired several narcotics licenses and permits pursuant to EU GMP certification and other governing regulations.

(Expressed in Canadian dollars)

6. INTANGIBLE ASSETS AND GOODWILL (cont'd)

During the year ended December 31, 2021, as part of the acquisition of 3a GmbH (Note 4), the Company recognized an intangible asset of $1,012,033, which represents intellectual property.

	Right-to-use License $	Intellectual Property $	Web Design and Software $	Licenses and Permits $	Total $
Cost					
Balance at January 1, 2021	1	-	26,664	1	26,666
Cumulative translation adjustment	-	-	(64)	-	(64)
Addition from acquisition	-	1,012,033	-	-	1,012,033
Balance at December 31, 2021	1	1,012,033	26,600	1	1,038,635
Cumulative translation adjustment	-	-	2	-	2
Balance at December 31, 2022	1	1,012,033	26,602	1	1,038,637
Accumulated Amortization					
Balance at January 1, 2021	-	-	11,907	-	11,907
Amortization	-	-	8,112	-	8,112
Cumulative translation adjustment	-	-	(64)	-	(64)
Balance at December 31, 2021	-	-	19,955	-	19,955
Amortization	-	-	6,636	-	6,636
Impairment	-	1,012,032	-	-	1,012,032
Cumulative translation adjustment	-	-	2	-	2
Balance at December 31, 2022	**-**	**1,012,032**	**26,593**	**-**	**1,038,625**
Carrying Amounts					
As at December 31, 2021	1	1,012,033	6,645	1	1,018,680
As at December 31, 2022	**1**	**1**	**9**	**1**	**12**

The net change in goodwill is as follows:

As at December 31, 2020	$ -
Addition from acquisition of 3a GmbH (Note 4)	4,874,892
As at December 31, 2021	4,874,892
Impairment	(4,874,892)
As at December 31, 2022	**$ -**

During the year ended December 31, 2022, the Company performed an annual impairment test for goodwill on its wholly owned subsidiary 3a GmbH by comparing the carrying value of the CGU allocated the goodwill to its recoverable amount. The recoverable amount of the 3a GmbH CGU of $nil was determined based on fair value less costs of disposal using level 3 inputs in a discounted cash flow analysis. As a result, the Company recognized an impairment charge of $4,874,892 for goodwill and $1,012,032 for intellectual property.

(Expressed in Canadian dollars)

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

As at December 31, 2022, right-of-use assets consist of an operational space for Vektor. As at December 31, 2021, right-of-use assets also consisted of the Bunker facility which the Company was not utilizing, and on April 11, 2022, the Company terminated the Bunker facility lease. As a result, as at December 31, 2021, the Company recognized an impairment charge of $3,459,481 on the right-of-use asset and during the year ended December 31, 2022, on termination of the lease, the lease liability was reduced by $694,480 and the Company recorded a gain on termination of lease liability of $662,743.

		December 31, 2022		December 31, 2021
Right-of-use Assets				
Opening balance	$	71,449	$	4,202,052
Additions from acquisition (Note 4)		-		14,003
Depreciation		(39,721)		(635,956)
Lease termination		-		(16,096)
Write-down of right-of-use asset		-		(3,459,481)
Cumulative translation adjustment		(1,257)		(6,560)
Foreign exchange		107		(26,513)
	$	**30,578**	**$**	**71,449**
Lease Liabilities				
Opening balance	$	818,039	$	938,800
Additions from acquisition (Note 4)		-		16,100
Payments		(73,804)		(134,605)
Lease termination		(694,480)		(18,527)
Accrued interest		23,177		86,436
Cumulative translation adjustment		(1,396)		(7,161)
Foreign exchange		(36,836)		(63,004)
	$	**34,700**	**$**	**818,039**
Current portion	$	34,700	$	152,979
Non-current portion	$	-	$	665,060

The lease liabilities are measured at the present value of the remaining lease payments, discounted using an incremental borrowing rate of 10%. The lease for operational space for Vektor expires on December 31, 2023, and using the December 31, 2022 period-end exchange rate, the estimated commitment over the next year is $36,608.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2022		December 31, 2021
Trade payables	$	461,040	$	524,695
Accrued liabilities		908,935		1,795,530
	$	**1,369,975**	**$**	**2,320,225**

9. CONVERTIBLE DEBT

On January 22, 2020, the Company signed a three-year definitive supply, import and distribution agreement (the "Agreement") with PharmaCielo Ltd. ("PharmaCielo"). Pursuant to the Agreement, the Company closed a subscription receipt whereby PharmaCielo agreed to purchase $500,000 of convertible debentures of the Company. The convertible debentures were issued on January 31, 2020 as part of the non-brokered private placement described below. The Company also issued PharmaCielo an additional 500,000 share purchase warrants exercisable by the holder into common shares of the Company at a price of $2 per common share for a period of two years. The warrants, which were expensed as marketing and advertising costs, had a fair value of $355,935, estimated using the Black-Scholes option pricing model with a volatility of 95%, risk-free interest rate of 1.43%, dividend rate of 0% and expected life of 2 years.

On January 31, 2020, the Company closed the sale of 2,000 convertible debenture units for gross proceeds of $2,000,000 pursuant to a non-brokered private placement. Each debenture unit consists of: (i) $1,000 principal amount of 8% unsecured convertible debenture, and (ii) 1,000 common share purchase warrants. The debentures bear interest at 8% per annum, calculated and payable semi-annually, and mature two years following the date of issuance. The debentures are convertible at the option of the holder into common shares of the Company at a conversion price of $1 per common share. Conversion of the debentures may be forced in part or in whole at the option of the Company if the 15-day volume weighted average price of the common shares on the CSE exceeds $2.50 per share. Each warrant is exercisable to acquire one common share at an exercise price of $1.50 until January 31, 2022. In connection with the offering, the Company paid a cash fee of $120,000 and issued 120,000 finders' warrants to a finder. Each finder's warrant entitles the holder thereof to purchase one common share at an exercise price of $1 until January 31, 2022. The finders' warrants had a fair value of $118,037 estimated using the Black-Scholes option pricing model with a volatility of 95%, risk-free interest rate of 1.55%, dividend rate of 0% and expected life of 2 years.

The debentures are compound instruments, and the proceeds are required to be bifurcated to record the fair value of the separate debt and equity components. The fair value of the debt was determined using a discounted cash flow model using an estimated market interest rate for equivalent debt of 16%. The initial fair value of the debt was calculated to be $1,709,444 with the residual portion of $290,556 allocated to both equity ($132,769) and the warrants ($157,787). Transaction costs totalled $248,331, of which $212,254 were allocated to the liability component and offset the carrying value and are amortized using the effective interest method as finance costs over the expected life of the debentures. Transactions costs of $16,485 were charged to the equity component and $19,592 were charged to the warrant component. In addition, the resulting deferred tax amount of $78,451 has been charged to both the equity ($35,848) and warrant ($42,603) components.

Debentures with a principal amount of $1,650,000 were converted by the holders on June 3, 2020, with the debt having a value of $1,312,983 at the date of conversion.

Debentures with a principal amount of $250,000 were converted by the holder on July 9, 2020, with the debt having a value of $185,220 at the date of conversion.

Debentures with the final principal amount of $100,000 were converted by the holder on January 13, 2022, with the debt having a value of $100,000 at the date of conversion.

9. CONVERTIBLE DEBT (cont'd)

On December 8, 2020, the Company issued a $3,000,000 unsecured convertible debenture pursuant to a non-brokered private placement. The convertible debenture accrues interest at 8% per annum, calculated and payable semi-annually on June 30 and December 31 of each calendar year, and matures two years from the date of issue, on December 8, 2022. The principal amount of the debenture is convertible into common shares of the Company at the election of the holder, in whole or in part, at any time prior to the maturity date at a conversion price of $1.77. Conversion of the debentures may be forced in whole at the option of the Company if the 15-day volume weighted average price of the common shares on the CSE exceeds $4.425 per share. In connection with the offering, the Company paid a cash fee of $240,000 and issued 135,593 finders' warrants to a finder. Each finder's warrant entitles the holder thereof to purchase one common share at an exercise price of $1.77 until December 8, 2022. The finders' warrants had a fair value of $126,905 estimated using the Black-Scholes option pricing model with a volatility of 81%, risk-free interest rate of 0.27%, dividend rate of 0% and expected life of 2 years. The fair value of the debt was determined using a discounted cash flow model using an estimated market interest rate for equivalent debt of 16%. The initial fair value of the debt was calculated to be $2,570,231 with the residual portion of $429,769 allocated to equity. Transaction costs totalled $367,440, of which $314,802 were allocated to the liability component and offset the carrying value and are amortized using the effective interest method as finance costs over the expected life of the debentures. Transactions costs of $52,638 and the resulting deferred tax amount of $116,038 have both been charged to the equity component.

On December 8, 2022, the debentures matured and the Company repaid the principal balance and outstanding interest.

On November 25, 2021, the Company closed the sale of 2,000,000 convertible debenture units for gross proceeds of $2,500,000 pursuant to a non-brokered private placement. Each debenture unit consists of: (i) $1.25 principal amount of 8% unsecured convertible debenture, and (ii) one common share purchase warrant. The debentures bear interest at 8% per annum, calculated and payable semi-annually, and mature two years following the date of issuance. The debentures are convertible at the option of the holder into common shares of the Company at a conversion price of $1.25 per common share. Conversion of the debentures may be forced in part or in whole at the option of the Company if the 15-day volume weighted average price of the common shares on the CSE exceeds $3.125 per share.

Each warrant is exercisable to acquire one common share at an exercise price of $1.50 until November 25, 2023. In connection with the offering, the Company paid a cash fee of $200,000 and issued 160,000 finders' warrants to a finder. Each finder's warrant entitles the holder thereof to purchase one common share at an exercise price of $1.50 until November 25, 2023. The finders' warrants had a fair value of $74,581 estimated using the Black-Scholes option pricing model with a volatility of 78.91%, risk-free interest rate of 1.08%, dividend rate of 0% and expected life of 2 years.

The debentures are compound instruments, and the proceeds are required to be bifurcated to record the fair value of the separate debt and equity components. The fair value of the debt was determined using a discounted cash flow model using an estimated market interest rate for equivalent debt of 16%. The initial fair value of the debt was calculated to be $2,145,412 with the residual portion of $354,588 allocated to both equity ($165,219) and the warrants ($189,369). Transaction costs totalled $276,133, of which $236,968 were allocated to the liability component and offset the carrying value and are amortized using the effective interest method as finance costs over the expected life of the debentures. Transactions costs of $18,249 were charged to the equity component and $20,916 were charged to the warrant component. In addition, the resulting deferred tax amount of $95,739 has been charged to both the equity ($44,609) and warrant ($51,130) components.

(Expressed in Canadian dollars)

9. CONVERTIBLE DEBT (cont'd)

On December 7, 2022, the Company closed the sale of 5,400,000 convertible debenture units for gross proceeds of $2,808,000 pursuant to a non-brokered private placement. Each debenture unit consists of $0.52 principal amount of 8% unsecured convertible debenture. The debentures bear interest at 8% per annum, calculated and payable semi-annually, and mature two years following the date of issuance. The debentures are convertible at the option of the holder into units of the Company at a conversion price of $0.52 per unit, at the option of the holder, at any time prior to the maturity date.

Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant is exercisable to acquire one common share at an exercise price of $0.80 until December 7, 2024. In connection with the offering, the Company paid a cash fee of $224,640 and issued 432,000 finders' warrants to a finder. Each finder's warrant entitles the holder thereof to purchase one common share at an exercise price of $0.52 until December 7, 2024. The finders' warrants had a fair value of $101,215 estimated using the Black-Scholes option pricing model with a volatility of 83.26%, risk-free interest rate of 3.78%, dividend rate of 0% and expected life of 2 years.

The debentures are compound instruments, and the proceeds are required to be bifurcated to record the fair value of the separate debt and equity components. The fair value of the debt was determined using a discounted cash flow model using an estimated market interest rate for equivalent debt of 16%. The initial fair value of the debt was calculated to be $2,397,438 with the residual portion of $410,562 allocated to equity. Transaction costs totalled $326,156, of which $278,468 were allocated to the liability component and offset the carrying value and are amortized using the effective interest method as finance costs over the expected life of the debentures. Transactions costs of $47,688 were charged to the equity component. In addition, the resulting deferred tax amount of $110,851 has been charged to the equity component.

		December 31, 2022		December 31, 2021
Opening balance	$	4,637,710	$	2,374,220
Additions from principal amounts		2,808,000		2,500,000
Equity component		(410,562)		(165,219)
Warrant component		-		(189,369)
Transaction costs		(278,468)		(236,968)
Accrued interest (accretion)		1,119,385		645,429
Payments		(3,439,755)		(290,383)
Conversion		(100,000)		-
	$	**4,336,310**	**$**	**4,637,710**
Current portion	$	612,666	$	2,976,431
Non-current portion	$	3,723,644	$	1,661,279

10. SHARE CAPITAL

a) Common shares

Authorized

The authorized share capital of the Company is an unlimited number of common shares without par value.

10. SHARE CAPITAL (cont'd)

a) Common shares (cont'd)

Transactions in year ended December 31, 2022

On January 13, 2022, the Company issued 100,000 common shares at a value of $100,000 pursuant to a convertible debt conversion (Note 9). Upon conversion, $4,022 was allocated from equity component of convertible debt to share capital.

On March 30, 2022, the Company closed the first tranche of a non-brokered private placement and issued 1,250,000 common shares at $1.00 per common share for gross proceeds of $1,250,000. The Company paid finders' fees of $100,000 and issued 100,000 finders' warrants to purchase an aggregate 100,000 common shares at an exercise price of $1.00 for a period of two years from closing. The finders' warrants had a fair value of $30,772, estimated using the Black-Scholes option pricing model with a volatility of 73.53%, risk-free interest rate of 2.31%, dividend rate of 0% and expected life of 2 years.

On April 20, 2022, the Company closed the second and final tranche of a non-brokered private placement and issued 1,050,000 common shares at $1.00 per common share for gross proceeds of $1,050,000. The Company paid finders' fees of $84,000 and issued 84,000 finders' warrants to purchase an aggregate 84,000 common shares at an exercise price of $1.00 per share for a period of two years from closing. The finders' warrants had a fair value of $33,525, estimated using the Black-Scholes option pricing model with a volatility of 72.25%, risk-free interest rate of 2.58%, dividend rate of 0% and expected life of 2 years.

On July 29, 2022, the Company closed the first tranche of a non-brokered private placement and 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 to purchase an aggregate 224,800 common shares at a price of $0.50 per share for a period of two years from closing. The finders' warrants had a fair value of $41,148, estimated using the Black-Scholes option pricing model with a volatility of 76.76%, risk-free interest rate of 2.96%, dividend rate of 0% and expected life of 2 years.

On August 29, 2022, the Company closed the second tranche of a non-brokered private placement and issued 5,000,000 units at $0.36 per unit for gross proceeds of $1,800,000. 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 $144,000 and issued 400,000 finders' warrants to purchase an aggregate 400,000 common shares at a price of $0.50 per share for a period of two years from closing. The finders' warrants had a fair value of $67,481, estimated using the Black-Scholes option pricing model with a volatility of 77.34%, risk-free interest rate of 3.59%, dividend rate of 0% and expected life of 2 years.

10. SHARE CAPITAL (cont'd)

a) Common shares (cont'd)

Transactions in year ended December 30, 2022 (cont'd)

On August 30, 2022, the Company closed the third tranche of a non-brokered private placement and issued 2,190,000 units at $0.36 per unit for gross proceeds of $788,400. 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 $63,072 and issued 175,200 finders' warrants to purchase an aggregate 175,200 common shares at a price of $0.50 per share for a period of two years from closing. The finders' warrants had a fair value of $26,076, estimated using the Black-Scholes option pricing model with a volatility of 77.41%, risk-free interest rate of 3.63%, dividend rate of 0% and expected life of 2 years.

On September 1, 2022, the Company settled $205,740 of accounts payable and accrued liabilities by issuing 442,839 common shares of the Company valued at $177,136. The Company recognized a gain on settlement of accounts payable and accrued liabilities on the statement of loss and comprehensive loss of $28,604.

During the year ended December 31, 2022, the Company issued 714,000 common shares for proceeds of $357,000 in connection with the exercise of 714,000 stock options. Upon exercise, $163,412 was allocated from reserves to share capital.

As of December 31, 2022, there are nil (2021 - 3,371,869) common shares subject to escrow, which includes nil (2021 - 225,000) common shares issued to current and former officers of the Company that were released from escrow in tranches over 36 months from date of listing on the CSE, being July 31, 2019.

Transactions in year ended December 31, 2021

On January 15, 2021, the Company issued 1,500,000 units at $1.90 per unit for gross proceeds of $2,850,000. Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable into one additional common share at a price of $2.20 for a period of two years from closing. The Company paid finders' fees and costs of $228,100 and also issued 120,000 finders' warrants to purchase an aggregate 120,000 common shares at a price of $1.90 per share for a period of two years from closing. The finders' warrants had a fair value of $135,518, estimated using the Black-Scholes option pricing model with a volatility of 83.67%, risk-free interest rate of 1.05%, dividend rate of 0% and expected life of 2 years.

On March 12, 2021, the Company issued 5,380 common shares at a value of $16,950 pursuant to a marketing agreement.

On March 18, 2021, the Company issued 50,000 common shares at a value of $147,500 pursuant to a development, technology purchase and license agreement.

On June 17, 2021, the Company issued 7,957 common shares at a value of $16,950 pursuant to a marketing agreement.

On August 4, 2021, the Company issued 100,000 common shares at a value of $194,000 pursuant to a development, technology purchase and license agreement.

(Expressed in Canadian dollars)

10. SHARE CAPITAL (cont'd)

a) Common shares (cont'd)

Transactions in year ended December 31, 2021 (cont'd)

On September 21, 2021, the Company issued 10,398 common shares at a value of $16,949 pursuant to a marketing agreement.

On October 8, 2021, the Company issued 140,000 common shares at a value of $183,400 pursuant to a corporate advisory and media agreement.

On November 25, 2021, the Company issued 4,500,000 common shares at $1 per common share for gross proceeds of $4,500,000. The Company paid finders' fees of $360,000 and also issued 360,000 finders' warrants to purchase an aggregate 360,000 common shares at an exercise price of $1.11 per share for a period of two years from closing. The finders' warrants had a fair value of $181,984, estimated using the Black-Scholes option pricing model with a volatility of 78.91%, risk-free interest rate of 1.08%, dividend rate of 0% and expected life of 2 years.

During the year ended December 31, 2021, the Company issued 8,940,275 common shares for proceeds of $7,534,096 in connection with the exercise of 8,940,275 share purchase warrants. Upon exercise, $113,946 was allocated from reserves to share capital.

During the year ended December 31, 2021, the Company issued 50,000 common shares for proceeds of $62,500 in connection with the exercise of 50,000 stock options. Upon exercise, $31,556 was allocated from reserves to share capital.

b) Treasury shares

In connection with the acquisition of 3a GmbH, the Company reacquired 200,000 common shares of its own equity. On February 1, 2022, through a private sale with an arm's length party, the Company sold the shares for $200,000.

c) Share purchase warrants

The following is a summary of changes in warrants from January 1, 2021 to December 31, 2022:

	Number of Warrants	Weighted Average Exercise Price $
Balance at January 1, 2021	16,135,050	0.99
Issued	4,140,000	1.72
Exercised	(8,940,275)	0.84
Expired	(5,457,650)	1.06
Balance at December 31, 2021	5,877,125	1.68
Issued	6,416,000	0.52
Expired	(1,443,593)	1.68
Balance at December 31, 2022	10,849,532	0.99

(Expressed in Canadian dollars)

10. SHARE CAPITAL (cont'd)

c) Share purchase warrants (cont'd)

As at December 31, 2022, the Company had outstanding warrants as follows:

Number Outstanding	Exercise Price $	Expiry Date
1,500,000	2.20	January 15, 2023*
120,000	1.90	January 15, 2023*
293,532	1.00	March 13, 2023*
360,000	1.11	November 25, 2023
160,000	1.25	November 25, 2023
2,000,000	1.50	November 25, 2023
100,000	1.00	March 30, 2024
84,000	1.00	April 20, 2024
1,629,800	0.50	July 29, 2024
2,900,000	0.50	August 29, 2024
1,270,200	0.50	August 30, 2024
432,000	0.52	December 7, 2024
10,849,532		

* see Note 20(b)

11. SHARE-BASED COMPENSATION

The Company held its shareholders' meeting on December 10, 2018 where the shareholders approved adoption of the stock option plan in accordance with the policies of the CSE. The directors are authorized to grant stock options to directors, officers, consultants or employees. Options granted under the plan will have the term, exercise price and vesting determined by the directors.

Share option transactions from January 1, 2021 to December 31, 2022 are as follows:

	Number of Options	Weighted Average Exercise Price $
Balance at January 1, 2021	4,525,000	1.58
Issued	4,445,000	1.61
Expired	(1,625,000)	2.44
Forfeited	(920,000)	1.39
Exercised	(50,000)	1.25
Balance at December 31, 2021	6,375,000	1.41
Issued	125,000	0.55
Expired	(150,000)	2.23
Exercised	(714,000)	0.50
Balance at December 31, 2022	5,636,000	1.49
Exercisable at December 31, 2022	5,636,000	1.49

(Expressed in Canadian dollars)

11. SHARE-BASED COMPENSATION (cont'd)

As at December 31, 2022, the following stock options were outstanding and exercisable:

Number Outstanding	Number Exercisable	Exercise Price $	Expiry Date
300,000	300,000	2.55	January 19, 2023*
225,000	225,000	2.75	February 10, 2023*
50,000	50,000	2.85	February 15, 2023*
125,000	125,000	2.83	March 2, 2023*
350,000	350,000	2.14	June 1, 2023
600,000	600,000	1.40	October 1, 2023
875,000	875,000	1.35	October 7, 2023
100,000	100,000	1.25	November 29, 2023
75,000	75,000	0.58	November 30, 2023
286,000	286,000	0.50	December 20, 2023
600,000	600,000	1.25	August 7, 2024
50,000	50,000	0.50	October 7, 2024
250,000	250,000	1.80	November 1, 2025
1,750,000	1,750,000	1.25	November 29, 2026
5,636,000	5,636,000		

* see Note 20(c)

The Company recorded share-based compensation of $113,825 (2021 - $3,275,071) for the year ended December 31, 2022. The fair value of the options granted during the year ended December 31, 2022 was $27,147 (2021 - $3,135,069), or $0.22 (2021 - $0.76) per option. The fair value of options vesting during the year ended December 31, 2022 was $86,678 (2021 - $140,002). All option grants were valued using the Black-Scholes option pricing model with the following assumptions:

	December 31, 2022	December 31, 2021
Volatility	80.39% – 94.02%	78.02% – 80.61%
Risk-free interest rate	4.05% – 4.38%	0.15% – 1.41%
Expected life of option	1 to 2 years	2 to 5 years
Dividend yield	0%	0%

12. REVENUES

Revenue disaggregated by revenue stream and timing of revenue recognition are as follows:

	Years Ended December 31, 2022	Years Ended December 31, 2021
Product sales	$ 26,613	$ 123,181
Analytical testing	-	17,517
Consulting, service and other	270,829	145,800
	$ 297,442	$ 286,498

(Expressed in Canadian dollars)

13. 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 and Chief Financial Officer 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:

	Years Ended December 31,	
	2022	**2021**
Consulting fees	$ 351,784	$ 98,400
Directors' fees (recovered)	$ (21,000)	$ 42,000
Research and lab fees	$ 281,875	$ 302,444
Salaries, benefits and other remuneration	$ 495,985	$ 586,966
Share-based compensation	$ -	$ 1,222,479

As at December 31, 2022, $107,891 (2021 - $50,038) remained unpaid and has been included in accounts payable and accrued liabilities.

During the year ended December 31, 2022, the Company incurred $nil (2021 - $8,400) in consulting fees and $nil (2021 - $28,731) in professional fees to a company controlled by the former Chief Financial Officer of the Company.

14. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its business and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. The Company considers its capital for this purpose to be its shareholders' equity.

The Company's primary source of capital is through the issuance of equity. The Company manages and adjusts its capital structure when changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek additional funding. The Company may require additional capital resources to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required in the long term, but recognizes there will be risks involved that may be beyond its control. There are no external restrictions on the management of capital. There have been no changes to the management of capital during the current fiscal period.

15. 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.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Fair value (cont'd)

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:

<u>Credit risk</u>
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 December 31, 2022 under its financial instruments is approximately $595,000.

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.

<u>Interest rate risk</u>
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.

<u>Liquidity risk</u>
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.

<u>Foreign exchange rate risk</u>
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.

(Expressed in Canadian dollars)

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Financial risk management (cont'd)

Foreign exchange rate risk (cont'd)

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

	December 31, 2022 $	December 31, 2021 $
Cash	124,993	1,007,842
Amounts receivable	347,468	457,537
Total financial assets	472,461	1,465,379
Accounts payable and accrued liabilities	(644,161)	(1,593,816)
Lease liability	(34,700)	(818,038)
Net statement of financial position exposure	(206,400)	(946,475)

At December 31, 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 $21,000 increase (decrease) in the Company's net loss for the year.

16. SEGMENTED INFORMATION

The Company has one operating segment. Information by geographical area is as follows:

		December 31, 2022		December 31, 2021
Revenues				
Germany	$	21,148	$	129,020
Austria		267,364		112,363
Israel		5,465		-
Switzerland		3,465		3,410
Canada		-		-
USA		-		41,705
	$	297,442	$	286,498

		December 31, 2022		December 31, 2021
Non-current assets				
Canada	$	174,506	$	246,669
Germany		746,978		6,776,089
	$	921,484	$	7,022,758

17. COMMITMENT

In February 2021, the Company signed an agreement with Applied Pharmaceutical Innovation 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 currently estimated at $411,000 (of which $206,000 has been paid). The Company will also fund the monthly operation cost at $20,000 per month.

18. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the year ended December 31, 2022 consisted of:

a) The issuance of 984,000 finders' warrants with a fair value of $199,002 related to the issuance of shares.

b) The issuance of 432,000 finders' warrants with a fair value of $101,215 related to the issuance of convertible debt.

c) The recognition of equity component (net of associated transaction costs) of $252,023 related to the issuance of convertible debt.

d) The conversion of convertible debt with a principal amount of $100,000 for extinguishment of $100,000 of liability and a transfer of $4,022 from the equity component of convertible debt to share capital.

e) The reversal of reserves to share capital of $163,412 on exercise of stock options and the reversal of reserves to deficit of $206,656 on expired options.

Significant non-cash transactions for the year ended December 31, 2021 consisted of:

a) The issuance of 23,735 common shares with a fair value of $50,849 pursuant to a marketing agreement.

b) The issuance of 140,000 common shares with a fair value of $183,400 pursuant to a corporate advisory and media agreement.

c) The issuance of 150,000 common shares with a fair value of $341,500 pursuant to a development, technology purchase and licence agreement.

d) The issuance of 480,000 finders' warrants with a fair value of $273,969 related to the issuance of shares.

e) The issuance of 160,000 finders' warrants with a fair value of $74,581 related to the issuance of convertible debt.

f) The reversal of reserves to share capital of $113,946 and $31,556 on the exercise of warrants and stock options, respectively, and the reversal of reserves to deficit of $2,186,162 on expired and forfeited options.

   The recognition of equity and warrant components (net of associated transaction costs) of $102,361 and $117,323, respectively, related to the issuance of convertible debt.

(Expressed in Canadian dollars)

18. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd)

g) The recognition of the assets and liabilities of 3a GmbH on closing of the share purchase agreement (Note 4).

19. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		December 31, 2022		December 31, 2021
Loss before income taxes	$	(12,869,985)	$	(20,747,843)
Expected income tax recovery		(3,475,000)		(5,602,000)
Change in statutory, foreign tax, foreign exchange rates and other		(100,914)		(265,739)
Permanent differences		1,153,000		2,104,000
Share issuance cost		(127,000)		(159,000)
Adjustment to prior years' provision versus statutory tax returns and expiry of non-capital losses		985,000		109,000
Change in unrecognizable deductible temporary differences		1,071,000		3,703,000
Income tax recovery	$	(493,914)	$	(110,739)
Current income tax	$	(101,063)	$	-
Deferred tax recovery	$	(392,851)	$	(110,739)

The significant components of the Company's deferred tax assets and liabilities are as follows:

		December 31, 2022		December 31, 2021
Deferred tax assets (liabilities)				
Property and equipment	$	353,000	$	306,000
Share issuance costs		323,000		261,000
Debt with accretion		(35,000)		(151,000)
Intangible assets		15,000		(291,000)
Non-capital losses available for future years		8,938,000		8,116,000
		9,594,000		8,241,000
Unrecognized deferred tax assets		(9,594,000)		(8,523,000)
Net deferred tax liability	$	-	$	(282,000)

(Expressed in Canadian dollars)

19. INCOME TAXES (cont'd)

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

	December 31, 2022 $	Expiry Date Range	December 31, 2021 $	Expiry Date Range
Temporary differences				
Property and equipment	1,344,000	No expiry date	1,261,000	No expiry date
Share issuance costs	1,195,000	2043 to 2046	966,000	2042 to 2045
Intangible assets	49,000	No expiry date	19,000	No expiry date
Non-capital losses available for future years	31,713,000		28,130,000	
Canada	19,414,000	2037 to 2042	16,405,000	2037 to 2041
Germany	12,299,000	No expiry date	11,725,000	No expiry date

Tax attributes are subject to review, and potential adjustment, by tax authorities.

20. SUBSEQUENT EVENTS

a) On March 24, 2023, the Company closed a non-brokered private placement and issued 4,050,000 units at $0.50 per unit for gross proceeds of $2,025,000. 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 $0.80 for a period of two years from closing. The Company paid finders' fees of $159,600 and issued 319,200 finders' warrants to purchase an aggregate 319,200 common shares at a price of $0.75 per share for a period of two years from closing.

b) On April 3, 2023, the Company granted 1,740,000 stock options to officers, directors and consultants with a price of $0.80 per share. The stock options granted to officers and directors have a term to expiry of three years and the stock options granted to consultants have a term to expiry of two years.

c) Subsequent to December 31, 2022, the Company issued 3,127,000 common shares for proceeds of $1,563,500 in connection with the exercise of 3,127,000 warrants. As compensation to an agent for soliciting the exercise of the warrants, the Company paid finder's fees of $78,175 and issued 156,350 finder's warrants with an exercise price of $0.55 and a term to expiry of two years.

d) 1,913,532 warrants with an exercise price between $1.00 and $2.20 per share expired unexercised.

e) 700,000 stock options with an exercise price between $2.55 and $2.85 per share expired unexercised.