BioNxt Solutions Inc.
(formerly XPhyto Therapeutics Corp.)

Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and 2022

NOTICE TO READER

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

The accompanying unaudited condensed consolidated interim financial statements of BioNxt Solutions Inc. (formerly XPhyto Therapeutics Corp.) have been prepared by and are the responsibility of the Company's management and approved by the Board of Directors of the Company.

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

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

As at	Note		March 31, 2023		December 31, 2022
			(unaudited)		
Assets					
Current Assets					
Cash		$	1,893,187	$	136,196
Amounts receivable			338,488		458,717
Prepaid expenses			77,610		96,193
			2,309,285		**691,106**
Non-current Assets					
Property and equipment	4		855,866		890,894
Intangible assets	5		12		12
Right-of-use assets	6		23,928		30,578
Total Assets		**$**	**3,189,091**	**$**	**1,612,590**
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	7, 12	$	926,899	$	1,369,975
Lease liabilities	6		26,801		34,700
Convertible debt	8		2,324,167		612,666
			3,277,867		**2,017,341**
Non-current Liabilities					
Convertible debt	8		2,257,532		3,723,644
Total Liabilities			**5,535,399**		**5,740,985**
Equity					
Shareholders' Deficiency					
Share capital	9		48,567,427		45,376,693
Reserves			4,740,770		5,526,793
Equity component of convertible debt	8		615,477		615,477
Accumulated other comprehensive loss			(172,810)		(100,563)
Accumulated deficit			(56,097,172)		(55,546,795)
Total Shareholders’ Deficiency			**(2,346,308)**		**(4,128,395)**
Total Liabilities and Shareholders’ Deficiency		**$**	**3,189,091**	**$**	**1,612,590**

Nature and Continuance of Operations (Note 1)
Commitment (Note 16)
Subsequent Event (Note 18)

Approved by the directors on May 29, 2023

Hugh Rogers (signed)

Peter Damouni (signed)

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

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

	Three Months Ended March 31, 2023	2022
Revenues (Note 11)	$ 169,645	$ 121,426
Cost of Sales	-	(49,048)
Gross Profit	169,645	72,378
Operating Expenses		
Consulting fees (Note 12)	240,401	247,953
Depreciation and amortization (Notes 4, 5 and 6)	49,443	59,128
Foreign exchange loss (gain)	(75,477)	74,406
Marketing and advertising	292,685	152,504
Office and miscellaneous	90,251	103,566
Professional fees (Note 12)	41,429	93,107
Regulatory fees	17,172	8,205
Rent and utilities	24,507	16,584
Research and lab fees (Note 12)	550,679	511,152
Salaries, benefits and other remuneration (Note 12)	186,529	241,642
Share-based compensation (Note 10)	-	48,539
Travel and related	3,449	4,670
Total Operating Expenses	(1,421,068)	(1,561,456)
Operating Loss	(1,251,423)	(1,489,078)
Other Income (Expense)		
Finance costs (Notes 6 and 8)	(246,190)	(281,596)
Government subsidy	1,222	10,602
Total Other Income (Expense)	(244,968)	(270,994)
Loss for the Period	(1,496,391)	(1,760,072)
Cumulative translation adjustment	(72,247)	52,867
Comprehensive Loss for the Period	$ (1,568,638)	$ (1,707,205)
Loss Per Share – Basic and Diluted	$ (0.02)	$ (0.02)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	93,606,884	77,748,945

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

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

	Three Months Ended March 31, 2023	2022
Operating Activities		
Loss for the period	$ (1,496,391)	$ (1,760,072)
Adjustments for		
Depreciation and amortization	49,444	59,128
Share-based compensation	-	48,539
Finance costs	246,190	281,596
Foreign exchange gain (loss)	(80,318)	45,176
Changes in non-cash working capital items		
Amounts receivable	120,229	223,078
Inventory	-	(47,379)
Prepaid expenses	18,583	48,529
Accounts payable and accrued liabilities	(443,076)	(63,694)
Cash Used in Operating Activities	(1,585,339)	(1,165,099)
Investing Activity		
Acquisition of property and equipment	(1,567)	-
Cash Used in Investing Activity	(1,567)	-
Financing Activities		
Proceeds from issuance of shares	2,025,000	1,250,000
Proceeds from exercise of warrants	1,563,500	-
Share issuance costs	(237,775)	(100,000)
Proceeds from exercise of options	-	357,000
Convertible debenture payments	-	(307)
Repayment of lease liabilities	(9,188)	(37,916)
Proceeds on sale of treasury shares	-	200,000
Cash Provided by Financing Activities	3,341,537	1,668,777
Effect of Exchange Rate on Cash	2,360	(6,039)
Change in Cash for the Period	1,756,991	497,639
Cash, Beginning of Period	136,196	1,351,981
Cash, End of Period	$ 1,893,187	$ 1,849,620

Supplemental Disclosure with Respect to Cash Flows (Note 17)

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

BIONXT SOLUTIONS INC.
(formerly XPhyto Therapeutics Corp.)
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)
(Unaudited – 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, 2022	77,453,034	39,346,125	(200,000)	5,482,819	367,476	49,604	(43,377,380)	1,668,644
Share issuances, financing	1,250,000	1,250,000	-	-	-	-	-	1,250,000
Issuance costs	-	(100,000)	-	-	-	-	-	(100,000)
Finders' warrants	-	(30,772)	-	30,772	-	-	-	-
Issuance of shares on conversion of convertible debt	100,000	102,155	-	-	(4,022)	-	-	98,133
Share-based compensation	-	-	-	48,539	-	-	-	48,539
Issuance of shares on exercise of options	714,000	520,412	-	(163,412)	-	-	-	357,000
Expired options	-	-	-	(166,252)	-	-	166,252	-
Sale of treasury shares	-	-	200,000	-	-	-	-	200,000
Cumulative translation adjustment	-	-	-	-	-	52,867	-	52,867
Loss for the period	-	-	-	-	-	-	(1,760,072)	(1,760,072)
Balance, March 31, 2022	79,517,034	41,087,920	-	5,232,466	363,454	102,471	(44,971,200)	1,815,111
Balance, January 1, 2023	91,209,873	45,376,693	-	5,526,793	615,477	(100,563)	(55,546,795)	(4,128,395)
Share issuances, financing	4,050,000	2,025,000	-	-	-	-	-	2,025,000
Issuance of shares on exercise of warrants	3,127,000	1,563,500	-	-	-	-	-	1,563,500
Issuance costs	-	(237,775)	-	-	-	-	-	(237,775)
Finders' warrants	-	(159,991)	-	159,991	-	-	-	-
Expired options	-	-	-	(810,496)	-	-	810,496	-
Expired finders' warrants	-	-	-	(135,518)	-	-	135,518	-
Cumulative translation adjustment	-	-	-	-	-	(72,247)	-	(72,247)
Loss for the period	-	-	-	-	-	-	(1,496,391)	(1,496,391)
Balance, March 31, 2023	98,386,873	48,567,427	-	4,740,770	615,477	(172,810)	(56,097,172)	(2,346,308)

The accompanying notes are an integral part of these condensed consolidated interim 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 condensed consolidated interim 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 develop 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 $968,582 as at March 31, 2023 and incurred a loss of $1,496,391 for the three months then ended. The Company anticipates it will need further funding to maintain its operations and activities for the next twelve months. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. These condensed consolidated interim 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

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* and IFRS, as issued by the International Accounting Standards Board. These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements as at December 31, 2022 and for the year then ended, as some disclosures from the annual consolidated financial statements have been condensed or omitted.

These condensed consolidated interim financial statements were authorized by the Company's directors on May 29, 2023.

2. BASIS OF PRESENTATION (cont'd)

b) Basis of consolidation

The following entities have been consolidated within these condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim financial statements.

c) Basis of measurement

These condensed consolidated interim 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 condensed consolidated interim financial statements are presented in Canadian dollars.

d) Use of estimates and judgments

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

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

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 condensed consolidated interim 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.

(Unaudited – Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements for the year ended December 31, 2022 except for as follows:

New accounting standards

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 Presentation of Financial Statements *and IFRS Practice Statement 2* Making Materiality Judgments*)* – 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 Accounting Policies, Changes in Accounting Estimates and Errors*)* – 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 adopted the above amendments for the fiscal year beginning January 1, 2023. The amendments did not have a material impact on the results and financial position of the Company.

4. PROPERTY AND EQUIPMENT

	Land $	Office Equipment and Fixtures $	Computer Hardware $	Testing, Lab Equipment and Machines $	Total $
Cost					
Balance at January 1, 2022	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
Additions	-	-	1,567	-	1,567
Cumulative translation adjustment	-	1,413	59	10,071	11,543
Balance at March 31, 2023	**348,518**	**112,065**	**31,726**	**939,347**	**1,431,656**
Accumulated Depreciation					
Balance at January 1, 2022	-	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
Depreciation	-	3,686	1,039	37,634	42,359
Cumulative translation adjustment	-	459	59	5,261	5,779
Balance at March 31, 2023	**-**	**42,170**	**29,111**	**504,509**	**575,790**
Carrying Amounts					
As at December 31, 2022	348,518	72,627	2,087	467,662	890,894
As at March 31, 2023	**348,518**	**69,895**	**2,615**	**434,838**	**855,866**

(Unaudited – Expressed in Canadian dollars)

5. 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.

During the year ended December 31, 2021, as part of the acquisition of 3a GmbH, the Company recognized an intangible asset of $1,012,033, which represented intellectual property, and goodwill of $4,874,892, which represented expected synergies, future income, growth, assembled workforce and other intangibles that did not qualify for separate recognition.

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 cash-generating unit ("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.

	Right-to-use License $	Intellectual Property $	Web Design and Software $	Licenses and Permits $	Total $
Cost					
Balance at January 1, 2022	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
Cumulative translation adjustment	-	-	14	-	14
Balance at March 31, 2023	1	1,012,033	26,616	1	1,038,651
Accumulated Amortization					
Balance at January 1, 2022	-	-	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
Cumulative translation adjustment	-	-	14	-	14
Balance at March 31, 2023	**-**	**1,012,032**	**26,607**	**-**	**1,038,639**
Carrying Amounts					
As at December 31, 2022	1	1	9	1	12
As at March 31, 2023	**1**	**1**	**9**	**1**	**12**

The net change in goodwill is as follows:

As at December 31, 2021	$	4,874,892
Impairment		(4,874,892)
As at December 31, 2022 and March 31, 2023	**$**	**-**

(Unaudited – Expressed in Canadian dollars)

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

As at March 31, 2023 and 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 that 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.

		March 31, 2023		December 31, 2022
Right-of-use Assets				
Opening balance	$	30,578	$	71,449
Depreciation		(7,084)		(39,721)
Cumulative translation adjustment		434		(1,257)
Foreign exchange		-		107
	$	**23,928**	**$**	**30,578**
Lease Liabilities				
Opening balance	$	34,700	$	818,039
Payments		(9,188)		(73,804)
Lease termination		-		(694,480)
Accrued interest		801		23,177
Cumulative translation adjustment		488		(1,396)
Foreign exchange		-		(36,836)
	$	**26,801**	**$**	**34,700**
Current portion	$	26,801	$	34,700
Non-current portion	$	-	$	-

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 March 31, 2023 period-end exchange rate, the estimated commitment over the next year is $27,930.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		March 31, 2023		December 31, 2022
Trade payables	$	147,972	$	461,040
Accrued liabilities		778,927		908,935
	$	**926,899**	**$**	**1,369,975**

8. 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 consisted of: (i) $1,000 principal amount of 8% unsecured convertible debenture, and (ii) 1,000 common share purchase warrants. The debentures accrued interest at 8% per annum, calculated and payable semi-annually, and matured two years following the date of issuance. The debentures were 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 could 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 exceeded $2.50 per share. Each warrant was 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 entitled 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 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 were 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 was 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.

8. 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 accrued interest at 8% per annum, calculated and payable semi-annually on June 30 and December 31 of each calendar year, and matured two years from the date of issue, on December 8, 2022. The principal amount of the debenture was 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 could 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 exceeded $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 entitled 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 were 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 were 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 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.

(Unaudited – Expressed in Canadian dollars)

8. 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 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.

		March 31, 2023		**December 31, 2022**
Opening balance	$	4,336,310	$	4,637,710
Additions from principal amounts		-		2,808,000
Equity component		-		(410,562)
Transaction costs		-		(278,468)
Accrued interest (accretion)		245,389		1,119,385
Payments		-		(3,439,755)
Conversion		-		(100,000)
	$	**4,581,699**	**$**	**4,336,310**
Current portion	$	2,324,167	$	612,666
Non-current portion	$	2,257,532	$	3,723,644

9. SHARE CAPITAL

a) Common shares

Authorized

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

9. SHARE CAPITAL (cont'd)

a) Common shares (cont'd)

Transactions in the three months ended March 31, 2023

On January 26, 2023, the Company 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 and costs of $159,600 and also 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. The finders' warrants had a fair value of $113,417, estimated using the Black-Scholes option pricing model with a volatility of 85.66%, risk-free interest rate of 3.42%, dividend rate of 0% and expected life of 2 years.

During the three months ended March 31, 2023, the Company issued 3,127,000 common shares for proceeds of $1,563,500 in connection with the exercise of 3,127,000 share purchase warrants. In connection with the warrant exercises, the Company paid finders' fees and costs of $78,175 and also issued 156,350 finders' warrants to purchase an aggregate 156,350 common shares at a price of $0.58 per share for a period of two years from closing. The finders' warrants had a fair value of $46,574, estimated using the Black-Scholes option pricing model with a volatility of 84.78%, risk-free interest rate of 4.30%, dividend rate of 0% and expected life of 2 years.

Transactions in the 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 8). 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.

9. SHARE CAPITAL (cont'd)

a) Common shares (cont'd)

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

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.

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.

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.

(Unaudited – Expressed in Canadian dollars)

9. SHARE CAPITAL (cont'd)

c) Share purchase warrants

The following is a summary of changes in warrants from January 1, 2022 to March 31, 2023:

	Number of Warrants	Weighted Average Exercise Price $
Balance at January 1, 2022	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
Issued	2,500,550	0.78
Exercised	(3,127,000)	0.50
Expired	(1,913,532)	2.00
Balance at March 31, 2023	8,309,550	0.88

As at March 31, 2023, the Company had outstanding warrants as follows:

Number Outstanding	Exercise Price $	Expiry Date
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
297,300	0.50	July 29, 2024
1,512,500	0.50	August 29, 2024
863,200	0.50	August 30, 2024
432,000	0.52	December 7, 2024
156,350	0.58	March 2, 2025
319,200	0.75	March 24, 2025
2,025,000	0.80	March 24, 2025
8,309,550		

10. 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.

(Unaudited – Expressed in Canadian dollars)

10. SHARE-BASED COMPENSATION (cont'd)

Share option transactions from January 1, 2022 to March 31, 2023 are as follows:

	Number of Options	Weighted Average Exercise Price $
Balance at January 1, 2022	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
Expired	(700,000)	2.69
Balance at March 31, 2023	4,936,000	1.32
Exercisable at March 31, 2023	4,936,000	1.32

As at March 31, 2023, the following stock options were outstanding and exercisable:

Number Outstanding	Number Exercisable	Exercise Price $	Expiry Date
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
4,936,000	4,936,000		

The Company did not record any share-based compensation (March 31, 2022 - $48,539) for the three months ended March 31, 2023. All option grants were valued using the Black-Scholes option pricing model with the following assumptions:

	March 31, 2023	December 31, 2022
Volatility	N/A	80.39% – 94.02%
Risk-free interest rate	N/A	4.05% – 4.38%
Expected life of option	N/A	1 to 2 years
Dividend yield	N/A	0%

(Unaudited – Expressed in Canadian dollars)

11. REVENUES

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

	Three Months Ended March 31,	
	2023	**2022**
Consulting, service and other	$ 169,645	$ 43,475
Product sales	-	77,951
	$ 169,645	$ 121,426

12. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for planning, directing and controlling the activities of the Company, and include both executive and non-executive directors and entities controlled by such persons. The Company considers its directors, chief executive officer 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:

	Three Months Ended March 31,	
	2023	**2022**
Consulting fees	$ 76,545	$ 78,000
Directors' fees (recovered)	$ 3,000	$ (33,000)
Research and lab fees	$ 73,786	$ 62,516
Salaries, benefits and other remuneration	$ 90,748	$ 150,093

As at March 31, 2023, $83,000 (December 31, 2022 - $107,891) remained unpaid and has been included in accounts payable and accrued liabilities.

13. 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.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

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

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

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

The three levels of fair value estimation are:

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

Financial risk management

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

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's maximum exposure to credit risk at March 31, 2023 under its financial instruments is approximately $2,232,000.

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

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

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

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

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

Financial risk management (cont'd)

Foreign exchange rate risk

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

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

	March 31, 2023 $	**December 31, 2022 $**
Cash	412,338	124,993
Amounts receivable	321,661	347,468
Total financial assets	733,999	472,461
Accounts payable and accrued liabilities	(492,647)	(644,161)
Lease liability	(26,801)	(34,700)
Net statement of financial position exposure	214,551	(206,400)

At March 31, 2023, 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 period.

15. SEGMENTED INFORMATION

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

		March 31, 2023		**March 31, 2022**
Revenues				
Korea	$	106,398	$	-
Austria		63,247		42,055
Germany		-		48,555
Israel		-		29,396
Switzerland		-		1,420
	$	169,645	$	121,426

		March 31, 2023		**December 31, 2022**
Non-current assets				
Canada	$	156,466	$	174,506
Germany		723,340		746,978
	$	879,806	$	921,484

16. 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.

17. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the three months ended March 31, 2023 consisted of:

a) The issuance of 475,550 finders' warrants with a fair value of $159,991 related to the issuance of shares and exercise of warrants.

b) The reversal of reserves to deficit of $810,496 on expired options.

c) The reversal of reserves to deficit of $135,518 on expired finders' warrants.

Significant non-cash transactions for the three months ended March 31, 2022 consisted of:

a) The issuance of 100,000 finders' warrants with a fair value of $30,772 related to the issuance of shares.

b) The conversion of convertible debt with a principal amount of $100,000 for extinguishment of $98,133 of liability and a transfer of $4,022 from the equity component of convertible debt to share capital.

c) The reversal of reserves to share capital of $163,412 on exercise of stock options and the reversal of reserves to deficit of $166,252 on expired options.

18. SUBSEQUENT EVENT

On April 3, 2023, the Company granted 1,740,000 stock options to officers, directors and consultants with an exercise 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.