

BioNxt Solutions Inc.
(formerly XPhyto Therapeutics Corp.)

Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 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	June 30, 2023 (unaudited)	December 31, 2022
Assets			
Current Assets			
Cash		\$ 347,511	\$ 136,196
Amounts receivable		366,779	458,717
Prepaid expenses		72,930	96,193
		787,220	691,106
Non-current Assets			
Property and equipment	4	917,943	890,894
Intangible assets	5	12	12
Right-of-use assets	6	16,450	30,578
Total Assets		\$ 1,721,625	\$ 1,612,590
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	7, 12	\$ 1,113,344	\$ 1,369,975
Lease liabilities	6	17,766	34,700
Convertible debt	8	2,357,580	612,666
		3,488,690	2,017,341
Non-current Liabilities			
Convertible debt	8	2,275,700	3,723,644
Total Liabilities		5,764,390	5,740,985
Equity			
Shareholders' Deficiency			
Share capital	9	48,567,427	45,376,693
Reserves		5,003,546	5,526,793
Equity component of convertible debt	8	615,477	615,477
Accumulated other comprehensive loss		(89,895)	(100,563)
Accumulated deficit		(58,139,320)	(55,546,795)
Total Shareholders' Deficiency		(4,042,765)	(4,128,395)
Total Liabilities and Shareholders' Deficiency		\$ 1,721,625	\$ 1,612,590

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

Approved by the directors on August 28, 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 June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenues (Note 11)	\$ 177,286	\$ 98,231	\$ 346,931	\$ 219,657
Cost of Sales	-	(21,433)	-	(70,481)
Gross Profit	177,286	76,798	346,931	149,176
Operating Expenses				
Consulting fees (Note 12)	322,807	379,845	563,208	627,798
Depreciation and amortization (Notes 4, 5 and 6)	54,895	74,404	104,338	133,532
Foreign exchange loss	97,673	90,221	22,196	164,627
Marketing and advertising	242,921	292,035	535,606	444,539
Office and miscellaneous	102,577	58,176	192,828	161,742
Professional fees (Note 12)	106,291	129,784	147,720	222,891
Regulatory fees	6,993	46,360	24,165	54,565
Rent and utilities	36,804	24,638	61,311	41,222
Research and lab fees (Note 12)	508,020	442,728	1,058,699	953,880
Salaries, benefits and other remuneration (Note 12)	211,101	229,703	397,630	471,345
Selling and distribution	-	14,843	-	14,843
Share-based compensation (Note 10)	578,691	26,382	578,691	74,921
Travel and related	14,318	11,917	17,767	16,587
Total Operating Expenses	(2,283,091)	(1,821,036)	(3,704,159)	(3,382,492)
Operating Loss	(2,105,805)	(1,744,238)	(3,357,228)	(3,233,316)
Other Income (Expense)				
Finance costs (Notes 6 and 8)	(262,751)	(280,948)	(508,941)	(562,544)
Government subsidy	10,493	130	11,715	10,732
Gain on termination of lease liability (Note 6)	-	672,228	-	672,228
Total Other Income (Expense)	(252,258)	391,410	(497,226)	120,416
Loss for the Period	(2,358,063)	(1,352,828)	(3,854,454)	(3,112,900)
Cumulative translation adjustment	82,915	61,178	10,668	114,045
Comprehensive Loss for the Period	\$ (2,275,148)	\$ (1,291,650)	\$ (3,843,786)	\$ (2,998,855)
Loss Per Share – Basic and Diluted	\$ (0.02)	\$ (0.02)	\$ (0.04)	\$ (0.04)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	98,386,873	80,093,553	96,010,083	79,214,393

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)

	Six Months Ended June 30,	
	2023	2022
Operating Activities		
Loss for the period	\$ (3,854,454)	\$ (3,112,900)
Adjustments for		
Depreciation and amortization	104,338	133,532
Share-based compensation	578,691	74,921
Finance costs	508,941	562,544
Foreign exchange gain	10,702	121,784
Gain on termination of lease liability	-	(672,228)
Changes in non-cash working capital items		
Amounts receivable	91,938	232,986
Inventory	-	67,689
Prepaid expenses	23,263	(21,311)
Accounts payable and accrued liabilities	(256,631)	(448,639)
Cash Used in Operating Activities	(2,793,212)	(3,061,622)
Investing Activity		
Acquisition of property and equipment	(117,102)	-
Cash Used in Investing Activity	(117,102)	-
Financing Activities		
Proceeds from issuance of shares	2,025,000	2,300,000
Proceeds from exercise of warrants	1,563,500	-
Share issuance costs	(237,775)	(184,000)
Proceeds from exercise of options	-	357,000
Convertible debenture payments	(210,575)	(219,485)
Repayment of lease liabilities	(18,443)	(49,680)
Payment to terminate lease	-	(32,190)
Proceeds on sale of treasury shares	-	200,000
Cash Provided by Financing Activities	3,121,707	2,371,645
Effect of Exchange Rate on Cash	(78)	(9,280)
Change in Cash for the Period	211,315	(699,257)
Cash, Beginning of Period	136,196	1,351,981
Cash, End of Period	\$ 347,511	\$ 652,724

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	2,300,000	2,300,000	-	-	-	-	-	2,300,000
Issuance costs	-	(184,000)	-	-	-	-	-	(184,000)
Finders' warrants	-	(64,297)	-	64,297	-	-	-	-
Issuance of shares on conversion of convertible debt	100,000	102,155	-	-	(4,022)	-	-	98,133
Share-based compensation	-	-	-	74,921	-	-	-	74,921
Issuance of shares on exercise of options	714,000	520,412	-	(163,412)	-	-	-	357,000
Expired options	-	-	-	(80,428)	-	-	80,428	-
Sale of treasury shares	200,000	-	200,000	-	-	-	-	200,000
Cumulative translation adjustment	-	-	-	-	-	114,045	-	114,045
Loss for the period	-	-	-	-	-	-	(3,112,900)	(3,112,900)
Balance, June 30, 2022	80,767,034	42,020,395	-	5,378,197	363,454	163,649	(46,409,852)	1,515,843
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)
Share-based compensation	-	-	-	578,691	-	-	-	578,691
Finders' warrants	-	(159,991)	-	159,991	-	-	-	-
Expired options	-	-	-	(1,126,411)	-	-	1,126,411	-
Expired finders' warrants	-	-	-	(135,518)	-	-	135,518	-
Cumulative translation adjustment	-	-	-	-	-	10,668	-	10,668
Loss for the period	-	-	-	-	-	-	(3,854,454)	(3,854,454)
Balance, June 30, 2023	98,386,873	48,567,427	-	5,003,546	615,477	(89,895)	(58,139,320)	(4,042,765)

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

BIONXT SOLUTIONS INC.
(formerly XPhyto Therapeutics Corp.)
Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended June 30, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

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 \$2,701,470 as at June 30, 2023 and incurred a loss of \$3,854,454 for the six 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 August 28, 2023.

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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
BioNxt Europe GmbH (formerly SCUR-Alpha 1108 GmbH)	Germany	100% owned
3a-diagnostics GmbH (“3a GmbH”)	Germany	100% owned
Vektor Vermögens 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.

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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.

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For the Six Months Ended June 30, 2023 and 2022
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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 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	115,535	117,102
Cumulative translation adjustment	-	(73)	(3)	(524)	(600)
Balance at June 30, 2023	348,518	110,579	31,664	1,044,287	1,535,048
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	-	7,137	1,910	81,071	90,118
Cumulative translation adjustment	-	(59)	(3)	(603)	(665)
Balance at June 30, 2023	-	45,103	29,920	542,082	617,105
Carrying Amounts					
As at December 31, 2022	348,518	72,627	2,087	467,662	890,894
As at June 30, 2023	348,518	65,476	1,744	502,205	917,943

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For the Six Months Ended June 30, 2023 and 2022
(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 and June 30, 2023	1	1,012,033	26,602	1	1,038,637
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 and June 30, 2023	-	1,012,032	26,593	-	1,038,625
Carrying Amounts					
As at December 31, 2022	1	1	9	1	12
As at June 30, 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 June 30, 2023	\$ -

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6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

As at June 30, 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.

		June 30, 2023		December 31, 2022
Right-of-use Assets				
Opening balance	\$	30,578	\$	71,449
Depreciation		(14,220)		(39,721)
Cumulative translation adjustment		92		(1,257)
Foreign exchange		-		107
	\$	16,450	\$	30,578
Lease Liabilities				
Opening balance	\$	34,700	\$	818,039
Payments		(18,443)		(73,804)
Lease termination		-		(694,480)
Accrued interest		1,396		23,177
Cumulative translation adjustment		113		(1,396)
Foreign exchange		-		(36,836)
	\$	17,766	\$	34,700
Current portion	\$	17,766	\$	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 June 30, 2023 period-end exchange rate, the estimated commitment over the next year is \$18,287, including interest accretion.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30, 2023		December 31, 2022
Trade payables	\$	376,709	\$	461,040
Accrued liabilities		736,635		908,935
	\$	1,113,344	\$	1,369,975

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Notes to the Condensed Consolidated Interim Financial Statements
For the Six Months Ended June 30, 2023 and 2022
(Unaudited – Expressed in Canadian Dollars)

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. Transaction 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.

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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. Transaction 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. Transaction 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.

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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. Transaction 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.

	June 30, 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)	507,545	1,119,385
Payments	(210,575)	(3,439,755)
Conversion	-	(100,000)
	\$ 4,633,280	\$ 4,336,310
Current portion	\$ 2,357,580	\$ 612,666
Non-current portion	\$ 2,275,700	\$ 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.

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9. SHARE CAPITAL (cont'd)

a) Common shares (cont'd)

Transactions in the six months ended June 30, 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 six months ended June 30, 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.

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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 consolidated 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.

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9. SHARE CAPITAL (cont'd)

c) Share purchase warrants

The following is a summary of changes in warrants from January 1, 2022 to June 30, 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 June 30, 2023	8,309,550	0.88

As at June 30, 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.

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10. SHARE-BASED COMPENSATION (cont'd)

Share option transactions from January 1, 2022 to June 30, 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
Issued	1,740,000	0.80
Expired	(1,050,000)	2.50
Balance at June 30, 2023	6,326,000	1.13
Exercisable at June 30, 2023	6,326,000	1.13

As at June 30, 2023, the following stock options were outstanding and exercisable:

Number Outstanding	Number Exercisable	Exercise Price \$	Expiry Date
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
290,000	290,000	0.80	April 3, 2025
250,000	250,000	1.80	November 1, 2025
1,450,000	1,450,000	0.80	April 3, 2026
1,750,000	1,750,000	1.25	November 29, 2026
6,326,000	6,326,000		

The Company recorded share-based compensation of \$578,691 (June 30, 2022 - \$48,539) for the six months ended June 30, 2023. All option grants were valued using the Black-Scholes option pricing model with the following assumptions:

	June 30, 2023	December 31, 2022
Volatility	81%-87%	80%-94%
Risk-free interest rate	3.42%-3.65%	4.05%-4.38%
Expected life of option	2-3 years	1-2 years
Dividend yield	0%	0%

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11. REVENUES

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Consulting, service and other	\$ 177,286	\$ 98,231	\$ 346,931	\$ 143,401
Product sales	-	-	-	76,256
	\$ 177,286	\$ 98,231	\$ 346,931	\$ 219,657

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:

	Six Months Ended June 30,	
	2023	2022
Consulting fees	\$ 153,408	\$ 156,000
Directors' fees (recovered)	\$ 6,000	\$ (27,000)
Research and lab fees	\$ 130,161	\$ 142,525
Salaries, benefits and other remuneration	\$ 181,813	\$ 308,102

As at June 30, 2023, \$115,387 (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.

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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 June 30, 2023 under its financial instruments is approximately \$714,000.

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.

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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):

	June 30, 2023	December 31, 2022
	\$	\$
Cash	280,102	124,993
Amounts receivable	332,894	347,468
Total financial assets	612,996	472,461
Accounts payable and accrued liabilities	(650,541)	(644,161)
Lease liability	(17,766)	(34,700)
Net statement of financial position exposure	(55,311)	(206,400)

At June 30, 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 \$6,000 decrease (increase) 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:

		June 30, 2023		June 30, 2022
Revenues				
Korea	\$	266,966	\$	-
Austria		78,475		42,055
Germany		-		48,555
Israel		-		29,396
Switzerland		1,490		1,420
	\$	346,931	\$	121,426
		June 30, 2023		December 31, 2022
Non-current assets				
Canada	\$	138,425	\$	174,506
Germany		795,980		746,978
	\$	934,405	\$	921,484

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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 six months ended June 30, 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 \$1,126,411 on expired options.
- c) The reversal of reserves to deficit of \$135,518 on expired finders' warrants.

Significant non-cash transactions for the six months ended June 30, 2022 consisted of:

- a) The issuance of 184,000 finders' warrants with a fair value of \$64,297 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 \$80,428 on expired options.
- d) The termination of a lease liability resulted in a reduction in liability of \$704,418 and a gain on the termination of the lease liability of \$672,228.

18. SUBSEQUENT EVENT

On August 28, 2023, the Company closed the first tranche of a non-brokered private placement and issued 3,000,000 shares at \$0.265 per share for gross proceeds of \$795,000. The Company paid finders' fees of \$63,600.