BioNxt Solutions Inc.

Consolidated Financial Statements

For the Years Ended December 31, 2024 and 2023

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
BioNxt Solutions Inc.

Opinion

We have audited the accompanying consolidated financial statements of BioNxt Solutions Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' deficiency for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has a working capital deficit of $6,714,067 as at December 31, 2024 and incurred a loss of $5,311,505 for the year then ended. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our auditor's report.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

June 25, 2025

BIONXT SOLUTIONS INC.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at	Note	December 31, 2024	December 31, 2023
Assets			
Current Assets			
Cash		$ 32,352	$ 363,655
Amounts receivable		60,599	282,563
Prepaid expenses		70,741	72,809
		163,692	**719,027**
Non-current Assets			
Property and equipment	4	405,661	548,528
Intangible assets		2	2
Total Assets		**$ 569,355**	**$ 1,267,557**
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	6,11	$ 4,086,400	$ 1,502,464
Contingent share obligation	15	64,600	153,600
Convertible debt	7	2,726,759	4,894,155
		6,877,759	**6,550,219**
Non-current Liabilities			
Convertible debt	7	1,553,056	-
Total Liabilities		**8,430,815**	**6,550,219**
Equity			
Shareholders' Deficiency			
Share capital	8a	52,606,841	50,749,565
Obligation to issue shares	8b	-	25,000
Reserves		4,495,332	4,020,513
Accumulated other comprehensive loss		(275,312)	(149,313)
Accumulated deficit		(64,688,321)	(59,928,427)
Total Shareholders’ Deficiency		**(7,861,460)**	**(5,282,662)**
Total Liabilities and Shareholders’ Deficiency		**$ 569,355**	**$ 1,267,557**

Nature and Continuance of Operations (Note 1)
Commitments (Note 15)
Subsequent Events (Note 18)

Approved by the directors on June 25, 2025

Hugh Rogers (signed) ***Wolfgang Probst (signed)***

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

BIONXT SOLUTIONS INC.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year Ended December 31, 2024	Year Ended December 31, 2023
Revenues (Note 10)	$ 26,985	$ 372,247
Operating Expenses		
Bad debts	-	4,423
Consulting fees (Note 11)	670,253	916,932
Depreciation and amortization (Notes 4 and 5)	91,759	195,763
Foreign exchange gain	(118,942)	(44,023)
Marketing and advertising	691,735	749,160
Office and miscellaneous	153,771	428,956
Professional fees (Note 11)	332,310	348,431
Regulatory fees	114,919	51,804
Rent and utilities	137,789	123,174
Research and lab fees (Notes 11 and 15)	1,430,611	2,553,506
Salaries, benefits and other remuneration (Note 11)	418,722	765,352
Share-based compensation (Note 9)	545,796	614,461
Travel and related	7,536	31,617
Total Operating Expenses	(4,476,259)	(6,739,556)
Operating Loss	(4,449,274)	(6,367,309)
Other Income (Expenses)		
Finance costs (Notes 5 and 7)	(985,148)	(1,042,546)
Interest income	301	-
Government subsidy	826	19,672
Gain (loss) on extinguishment of convertible debt (Note 7)	-	(168,042)
Gain on settlement of convertible debt (Note 7)	-	3,244
Loss on disposal of property and equipment (Note 4)	-	(46,257)
Impairment of property and equipment (Note 4)	-	(48,079)
Impairment of intangible assets	-	(10)
Change in fair value of contingent share obligation (Note 15)	32,000	(73,600)
Total Other Income (Expenses)	(952,021)	(1,355,618)
Loss Before Income Tax Recovery	(5,401,295)	(7,722,927)
Deferred tax recovery (Note 14)	89,790	-
Loss for the Year	(5,311,505)	(7,722,927)
Item that may be Subsequently Reclassified to Profit or Loss		
Cumulative translation adjustment	(125,999)	(48,750)
Comprehensive Loss for the Year	$ (5,437,504)	$ (7,771,677)
Loss Per Share – Basic and Diluted	$ (0.05)	$ (0.08)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	111,408,397	99,322,983

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

BIONXT SOLUTIONS INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended December 31, 2024	Year Ended December 31, 2023
Operating Activities		
Loss for the year	$ (5,311,505)	$ (7,722,927)
Adjustments for		
Bad debts	-	4,423
Depreciation and amortization	91,759	195,763
Share-based compensation	545,796	614,461
Shares issued for research and lab fees	57,000	25,000
Finance costs	985,148	1,042,546
Foreign exchange gain	(132,794)	(67,179)
Loss (gain) on extinguishment of convertible debt	-	168,042
Change in fair value of contingent share obligation	32,000	-
Deferred tax recovery	(89,790)	-
Gain on settlement of convertible debt	-	(3,244)
Loss on disposal of property and equipment	-	46,257
Impairment of property and equipment	-	48,079
Impairment of intangible assets and goodwill	-	10
Changes in non-cash working capital items		
Amounts receivable	221,964	171,731
Prepaid expenses	2,068	23,384
Accounts payable and accrued liabilities	653,236	132,489
Contingent share obligation	(89,000)	153,600
Cash Used in Operating Activities	(3,034,118)	(5,167,565)
Investing Activities		
Proceeds from disposal of property and equipment	56,211	302,261
Purchases of property and equipment	-	(201,421)
Cash Provided by Investing Activities	56,211	100,840
Financing Activities		
Proceeds from issuance of shares	1,713,000	4,425,750
Share issuance costs	(104,640)	(448,299)
Proceeds from exercise of warrants	137,894	1,563,500
Proceeds from issuance of convertible debentures	2,110,000	-
Convertible debenture payments	(1,033,280)	(210,575)
Transaction costs	(178,062)	-
Repayment of lease liabilities	-	(36,960)
Cash Provided by Financing Activities	2,644,912	5,293,416
Effect of Exchange Rate on Cash	1,692	768
Change in Cash for the Year	(331,303)	227,459
Cash, Beginning of Year	363,655	136,196
Cash, End of Year	$ 32,352	$ 363,655

Supplemental Disclosure with Respect to Cash Flows (Note 16)

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

BIONXT SOLUTIONS INC.
Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital $	Obligation to Issue Shares $	Reserves $	Accumulated Other Comprehensive Loss $	Accumulated Deficit $	Total Shareholders' Deficiency $
Balance, January 1, 2023	91,209,873	45,376,693	-	6,142,270	(100,563)	(55,546,795)	(4,128,395)
Share issuances, financing	12,600,000	4,425,750	-	-	-	-	4,425,750
Issuance costs	-	(448,299)	-	-	-	-	(448,299)
Finders' warrants	-	(365,931)	-	365,931	-	-	-
Issuance of shares on exercise of warrants	3,127,000	1,563,500	-	-	-	-	1,563,500
Obligation to issue shares for research and lab fees	-	-	25,000	-	-	-	25,000
Issuance of shares to settle convertible debt interest	162,192	77,852	-	-	-	-	77,852
Issuance of convertible debt	-	-	-	191,104	-	-	191,104
Share-based compensation	-	-	-	614,461	-	-	614,461
Finders' fees for convertible debt	250,000	120,000	-	48,042	-	-	168,042
Expired options	-	-	-	(3,341,295)	-	3,341,295	-
Cumulative translation adjustment	-	-	-	-	(48,750)	-	(48,750)
Loss for the year	-	-	-	-	-	(7,722,927)	(7,722,927)
Balance, December 31, 2023	107,349,065	50,749,565	25,000	4,020,513	(149,313)	(59,928,427)	(5,282,662)
Share issuances, financing	5,420,000	1,713,000	-	-	-	-	1,713,000
Shares issued for research and lab fees	250,000	82,000	(25,000)	-	-	-	57,000
Issuance costs	-	(104,640)	-	-	-	-	(104,640)
Finders' warrants	-	(86,165)	-	86,165	-	-	-
Issuance of shares on exercise of warrants	383,040	137,894	-	-	-	-	137,894
Fair value transferred on exercise of warrants	-	115,187	-	(115,187)	-	-	-
Issuance of convertible debt	-	-	-	394,929	-	-	394,929
Share-based compensation	-	-	-	545,796	-	-	545,796
Finders' fees for convertible debt	-	-	-	114,727	-	-	114,727
Expired options	-	-	-	(551,611)	-	551,611	-
Cumulative translation adjustment	-	-	-	-	(125,999)	-	(125,999)
Loss for the year	-	-	-	-	-	(5,311,505)	(5,311,505)
Balance, December 31, 2024	113,402,105	52,606,841	-	4,495,332	(275,312)	(64,688,321)	(7,861,460)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

BioNxt Solutions Inc. (the “Company”) was incorporated under the *Business Corporations Act* (British Columbia) on December 12, 2017. The principal business of the Company is to focus on next generation drug formulations and delivery systems. The Company’s shares are trading on the Canadian Securities Exchange (“CSE”) under the symbol “BNXT”, on the OTC Pink under the symbol “BNXTF” and on the Frankfurt exchange under the symbol “4XT”.

The Company’s head office is located at 1928 Linden Road, Vancouver, British Columbia, Canada, V6M 1E7. The Company’s registered and records office is 1500 – 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operations for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of business.

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 $6,714,067 as at December 31, 2024 and incurred a loss of $5,311,505 for the year then ended. The Company anticipates it will need further funding to maintain its operations and activities for the next twelve months. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. These consolidated financial statements do not include any adjustments related to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PRESENTATION

a) Statement of compliance to IFRS Accounting Standards (“IFRS”)

The consolidated financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board.

These consolidated financial statements were authorized by the Company’s directors on June 25, 2025.

2. BASIS OF PRESENTATION (cont'd)

b) Basis of consolidation

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

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

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

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

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

c) Basis of measurement

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

d) Use of estimates and judgments

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

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

2. BASIS OF PRESENTATION (cont'd)

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

Key sources of estimation uncertainty

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

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

ii) Deferred tax assets
Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

iii) 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.

iv) Contingent share obligation
The financial liability is calculated by taking the Company's share price at period-end and the expected number of shares to be issued. Management applies judgment when determining the likelihood of achieving certain milestones (Note 15).

Significant judgments in applying accounting policies

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION

a) Cash

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

b) Property and equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Equipment is depreciated annually on a straight-line basis over the estimated useful life of the assets. Both office equipment and fixtures and computer hardware are depreciated over a useful life of three years. Testing, lab equipment and machines are depreciated over useful lives ranging up to 15 years. Land is carried at cost and has an unlimited useful life, and therefore, is not depreciated. Equipment depreciation begins when it is available for use, which is when it is in the location and condition necessary for it be capable of operating in the manner intended by management.

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

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

c) Impairment of non-current assets

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

d) Convertible debt

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

e) Provisions

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

f) Share capital

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

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

g) Share-based payments

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

h) Reserves

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

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

i) Loss per share

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

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

j) Revenue recognition

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

k) Research and development

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

l) Related party transactions

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

m) Foreign currency translation

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

- Canadian dollars for XPhyto Laboratories Inc., Bunker, XP Diagnostics GmbH, Vektor Vermogens und Grundbesitz GmbH, 3a GmbH and BioNxt Europe GmbH.
- Euros for Vektor.

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

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

n) Financial instruments

Financial assets

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

n) Financial instruments (cont'd)

Impairment

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

Financial liabilities

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

o) Income taxes

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

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

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

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

(Expressed in Canadian Dollars)

3. MATERIAL ACCOUNTING POLICY INFOMRATION (cont'd)

o) Income taxes (cont'd)

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

p) Standards issued or amended but not yet effective

IFRS 18 Presentation and Disclosure in Financial Statements, which will replace IAS 1, Presentation of Financial Statements aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss, in particular additional defined subtotals, disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flows. IFRS 18 is effective from January 1, 2027. Companies are permitted to apply IFRS 18 before that date. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

4. PROPERTY AND EQUIPMENT

	Land $	Office Equipment and Fixtures $	Computer Hardware $	Testing, Lab Equipment and Machines $	Total $
Cost					
Balance at January 1, 2023	348,518	110,652	30,100	929,276	1,418,546
Additions	-	-	1,567	199,854	201,421
Disposals	(348,518)	-	-	-	(348,518)
Cumulative translation adjustment	-	949	39	20,570	21,558
Balance at December 31, 2023	-	111,601	31,706	1,149,700	1,293,007
Disposals	-	-	-	(344,228)	(344,228)
Cumulative translation adjustment	-	1,707	71	12,450	14,228
Balance at December 31, 2024	**-**	**113,308**	**31,777**	**817,922**	**963,007**
Accumulated Depreciation					
Balance at January 1, 2023	-	38,025	28,013	461,614	527,652
Depreciation	-	13,524	2,598	148,769	164,891
Impairment	-	-	-	48,079	48,079
Cumulative translation adjustment	-	305	39	3,513	3,857
Balance at December 31, 2023	-	51,854	30,650	661,975	744,479
Depreciation	-	9,263	522	81,974	91,759
Disposals	-	-	-	(288,017)	(288,017)
Cumulative translation adjustment	-	742	71	8,312	9,125
Balance at December 31, 2024	**-**	**61,859**	**31,243**	**464,244**	**557,346**
Carrying Amounts					
As at December 31, 2023	-	59,747	1,056	487,725	548,528
As at December 31, 2024	**-**	**51,449**	**534**	**353,678**	**405,661**

During the year ended December 31, 2023, the Company sold land for proceeds of $302,261, resulting in a loss on disposal of $46,257.

(Expressed in Canadian Dollars)

4. PROPERTY AND EQUIPMENTS (cont'd)

At December 31, 2023, the Company recorded an impairment of $48,079 on lab equipment that was sold during the year ended December 31, 2024 for proceeds of $56,211.

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

As at December 31, 2024, the Company did not have any right-of-use assets.

	December 31, 2024	December 31, 2023
Right-of-use Assets		
Opening balance	$ -	$ 30,578
Depreciation	-	(30,872)
Cumulative translation adjustment	-	294
	$ -	**$ -**
Lease Liabilities		
Opening balance	$ -	$ 34,700
Payments	-	(36,960)
Accrued interest	-	1,926
Cumulative translation adjustment	-	334
	$ -	**$ -**

The lease liabilities were measured at the present value of the remaining lease payments, discounted using an incremental borrowing rate of 10%.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2024	December 31, 2023
Trade payables	$ 1,112,788	$ 598,499
Accrued liabilities	2,973,612	903,965
	$ 4,086,400	**$ 1,502,464**

7. CONVERTIBLE DEBT

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. Each warrant was 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 entitled the holder thereof to purchase one common share at an exercise price of $1.50 until November 25, 2023.

On December 4, 2023, the Company settled the convertible debenture of $2,500,000 and outstanding interest of $81,096 by issuing the creditor:

- 162,192 common shares valued at $77,852 (resulting in a gain on settlement of convertible debt of $3,244); and
- An unsecured convertible debenture with a principal amount of $2,500,000.

7. CONVERTIBLE DEBT (cont'd)

The new debenture is convertible, at the option of the creditor, into common shares of the Company at a price of $0.50 per share. The debenture bears interest at 8% per annum, calculated and payable semi-annually, and matures on December 4, 2024. At the Company's option, the Company may prepay all or part of the principal amount plus accrued and unpaid interest without penalty or bonus. The Company has the right to pay all accrued and unpaid interest either in cash or in shares at the conversion price. Conversion of the new debenture may be forced at the option of the Company if the 15-day volume weighted average price of the shares on the CSE exceeds 250% of the conversion price.

The new debenture is a compound financial instrument that is required to be bifurcated to record the fair value of the separate debt and equity components. The fair value of the debt was determined using a discounted cash flow model using an estimated market interest rate for equivalent debt of 16%. The initial fair value of the debt was calculated to be $2,308,896 with the residual portion of $198,314 allocated to equity.

In connection with the settlement, the Company issued 250,000 common shares of the Company and issued 250,000 finders' warrants. The common shares were valued at $120,000. Each finder's warrant entitles the holder thereof to purchase one common share at an exercise price of $0.55 until December 4, 2024. The finders' warrants had a fair value of $48,042 estimated using the Black-Scholes option pricing model with a volatility of 112.38%, risk-free interest rate of 4.77%, dividend rate of 0% and expected life of 1 year. The Company accounted for the settlement as a substantial modification to the original convertible debenture, and therefore, the total transaction costs of $168,042 were recognized as a loss on extinguishment of convertible debt.

The debenture matured on December 4, 2024, and the Company repaid $1,000,000. The remaining $1,700,000 of principal and accrued interest was reclassified to accrued liabilities on maturity and remains outstanding at December 31, 2024.

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 was 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 entitled the holder thereof to purchase one common share at an exercise price of $0.52 until December 7, 2024. The finders' warrants had a fair value of $101,215 estimated using the Black-Scholes option pricing model with a volatility of 83.26%, risk-free interest rate of 3.78%, dividend rate of 0% and expected life of 2 years.

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

7. CONVERTIBLE DEBT (cont'd)

On December 6, 2024, the Company entered into a debenture amending agreement with its creditors to amend the maturity date to December 7, 2025 for $2,600,000 of the outstanding $2,808,000 principal. The remaining $208,000 of principal and interest was reclassified to accrued liabilities on maturity and remains outstanding at December 31, 2024.

The Company accounted for the amendment as a substantial modification to the original convertible debenture, and therefore, recorded the amendment as an extinguishment of the debenture and an issuance of a new debenture.

The new debenture is a compound financial instrument that is required to be bifurcated to record the fair value of the separate debt and equity components. The fair value of the debt was determined using a discounted cash flow model using an estimated market interest rate for equivalent debt of 16%. The initial fair value of the debt was calculated to be $2,401,686 with the residual portion of $198,104 allocated to equity.

On November 12, 2024, the Company closed the sale of convertible debentures for gross proceeds of $425,000 pursuant to a non-brokered private placement. The debentures bear interest at 8% per annum 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 $0.25 per common share. Conversion of the debentures may be forced at the option of the Company if the 15-day volume-weighted average price of the common shares of the Company exceeds $0.625. In connection with the offering, the Company paid a cash fee of $34,000 and issued 136,000 finders' warrants to a finder. Each finder's warrant entitles the holder thereof to purchase one common share at an exercise price of $0.25 until November 12, 2026. The finders' warrants have a fair value of $19,161 estimated using the Black-Scholes option pricing model with a volatility of 106.70%, risk-free interest rate of 3.17%, dividend rate of 0% and expected life of 2 years.

The debentures were compound financial instruments, and the proceeds were required to be bifurcated to record the fair value of the separate debt and equity components. The fair value of the debt was determined using a discounted cash flow model using an estimated market interest rate for equivalent debt of 16%. The initial fair value of the debt was calculated to be $358,017 with the residual portion of $66,983 allocated to equity. Transaction costs totalled $53,161, of which $44,782 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 $8,379 were charged to the equity component. In addition, the resulting deferred tax amount of $18,085 has been charged to the equity component.

On November 29, 2024, the Company closed the sale of convertible debentures for gross proceeds of $285,000 pursuant to a non-brokered private placement. The debentures bear interest at 8% per annum 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 $0.25 per common share. Conversion of the debentures may be forced at the option of the Company if the 15-day volume-weighted average price of the common shares of the Company exceeds $0.625. In connection with the offering, the Company paid a cash fee of $22,800 and issued 91,200 finders' warrants to a finder. Each finder's warrant entitles the holder thereof to purchase one common share at an exercise price of $0.25 until November 29, 2026. The finders' warrants have a fair value of $14,860 estimated using the Black-Scholes option pricing model with a volatility of 105.13%, risk-free interest rate of 3.02%, dividend rate of 0% and expected life of 2 years.

(Expressed in Canadian Dollars)

7. CONVERTIBLE DEBT (cont'd)

The debentures were compound financial instruments, and the proceeds were required to be bifurcated to record the fair value of the separate debt and equity components. The fair value of the debt was determined using a discounted cash flow model using an estimated market interest rate for equivalent debt of 16%. The initial fair value of the debt was calculated to be $240,082 with the residual portion of $44,918 allocated to equity. Transaction costs totalled $37,660, of which $31,725 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 $5,935 were charged to the equity component. In addition, the resulting deferred tax amount of $12,128 has been charged to the equity component.

On December 19, 2024, the Company closed the sale of convertible debentures for gross proceeds of $1,400,000 pursuant to a non-brokered private placement. The debentures bear interest at 8% per annum 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 $0.25 per common share. Conversion of the debentures may be forced at the option of the Company if the 15-day volume-weighted average price of the common shares of the Company exceeds $0.625. In connection with the offering, the Company paid a cash fee of $112,000 and issued 448,000 finders' warrants to a finder. Each finder's warrant entitles the holder thereof to purchase one common share at an exercise price of $0.25 until December 19, 2026. The finders' warrants have a fair value of $80,706 estimated using the Black-Scholes option pricing model with a volatility of 105.93%, risk-free interest rate of 3.08%, dividend rate of 0% and expected life of 2 years.

The debentures were compound financial instruments, and the proceeds were required to be bifurcated to record the fair value of the separate debt and equity components. The fair value of the debt was determined using a discounted cash flow model using an estimated market interest rate for equivalent debt of 16%. The initial fair value of the debt was calculated to be $1,179,349 with the residual portion of $220,651 allocated to equity. Transaction costs totalled $192,706, of which $162,334 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 $28,913 were charged to the equity component. In addition, the resulting deferred tax amount of $59,577 has been charged to the equity component.

		December 31, 2024		December 31, 2023
Opening balance	$	4,894,155	$	4,336,310
Additions from principal amounts		4,710,000		2,500,000
Equity component		(530,866)		(191,104)
Transaction costs		(246,643)		-
Accrued interest (accretion)		985,148		1,040,620
Payments		(1,033,280)		(210,575)
Conversions and settlement of interest		-		(81,096)
Extinguishment		(2,600,000)		(2,500,000)
Transferred to accrued liabilities on maturity		(1,898,699)		-
	$	**4,279,815**	**$**	**4,894,155**
Current portion	$	2,726,759	$	4,894,155
Non-current portion	$	1,553,056	$	-

At December 31, 2024, the balance of convertible debt includes interest of $313,387 (2023 - $113,243) payable to the December 7, 2022 debenture holder, $nil (2023 - $14,754) payable to the December 4, 2023 debenture holder. These amounts were due prior to December 31, 2024, and have yet to be paid.

7. CONVERTIBLE DEBT (cont'd)

At December 31, 2024, the total contractual undiscounted cash flows are $5,554,779.

8. SHARE CAPITAL

a) Common shares

Authorized

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

Transactions in the year ended December 31, 2024

On January 4, 2024, the Company issued 1,200,000 units at $0.40 per unit for gross proceeds of $480,000. 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 $0.70 for a period of two years from closing. The Company paid finders' fees and costs of $38,400 and issued 96,000 finders' warrants to purchase an aggregate 96,000 common shares at a price of $0.55 per share for a period of two years from closing. The finders' warrants had a fair value of $28,714, estimated using the Black-Scholes option pricing model with a volatility of 104.43%, risk-free interest rate of 4.04%, dividend rate of 0% and expected life of 2 years.

On January 29, 2024, the Company issued 720,000 units at $0.40 per unit for gross proceeds of $288,000. 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 $0.70 for a period of two years from closing. The Company paid finders' fees and costs of $23,040 and issued 57,600 finders' warrants to purchase an aggregate 57,600 common shares at a price of $0.67 per share for a period of two years from closing. The finders' warrants had a fair value of $21,707, estimated using the Black-Scholes option pricing model with a volatility of 105.52%, risk-free interest rate of 4.02%, dividend rate of 0% and expected life of 2 years.

On April 15, 2024, the Company issued 250,000 common shares (valued at $82,000) of the Company in accordance with a consulting agreement (Note 15).

On May 10, 2024, the Company issued 1,000,000 common shares at $0.27 per share for gross proceeds of $270,000. The Company paid finders' fees and costs of $21,600 and issued 80,000 finders' warrants to purchase an aggregate 80,000 common shares at a price of $0.36 per share for a period of two years from closing. The finders' warrants had a fair value of $20,587, estimated using the Black-Scholes option pricing model with a volatility of 106.85%, risk-free interest rate of 4.29%, dividend rate of 0% and expected life of 2 years.

On June 18, 2024, the Company issued 1,000,000 common shares at $0.27 per share for gross proceeds of $270,000. The Company paid finders' fees and costs of $21,600 and issued 80,000 finders' warrants to purchase an aggregate 80,000 common shares at a price of $0.36 per share for a period of two years from closing. The finders' warrants had a fair value of $15,157, estimated using the Black-Scholes option pricing model with a volatility of 107.57%, risk-free interest rate of 3.82%, dividend rate of 0% and expected life of 2 years.

8. SHARE CAPITAL (cont'd)

a) Common shares (cont'd)

Transactions in the year ended December 31, 2024 (cont'd)

On June 27, 2024, the Company issued 1,500,000 common shares at $0.27 per share for gross proceeds of $405,000.

During the year ended December 31, 2024, the Company issued 383,040 common shares for proceeds of $137,894 in connection with the exercise of 383,040 warrants. Upon exercise, $115,187 was allocated from reserves to share capital.

Transactions in the year ended December 31, 2023

On March 24, 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 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.

On August 24, 2023, the Company issued 3,000,000 common shares at $0.265 per share for gross proceeds of $795,000. The Company paid finders' fees and costs of $63,600.

On September 27, 2023, the Company issued 2,500,000 common shares at $0.265 per share for gross proceeds of $662,500. The Company paid finders' fees and costs of $53,000.

On October 27, 2023, the Company issued 2,050,000 common shares at $0.265 per share for gross proceeds of $543,250. The Company paid finders' fees and costs of $43,460.

On December 4, 2023, in connection with the closing of the Company's non-brokered private placement at $0.265 per share, the Company issued 604,000 finders' warrants to purchase an aggregate 604,000 common shares at a price of $0.36 per share for a period of 24 months from the date of issuance. The finders' warrants had a fair value of $185,103, estimated using the Black-Scholes option pricing model with a volatility of 103.97%, risk-free interest rate of 4.15%, dividend rate of 0% and expected life of 2 years.

On December 4, 2023, the Company issued 162,192 common shares at a value of $77,852 for interest owing on a convertible debenture (Note 7). The Company also issued 250,000 common shares at a value of $120,000 as transaction fees to a third party in relation to the reissuance of a convertible debenture (Note 7).

On December 28, 2023, the Company issued 1,000,000 units at $0.40 per unit for gross proceeds of $400,000. 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 $0.70 for a period of two years from closing. The Company paid finders' fees and costs of $50,464 and issued 80,000 finders' warrants to purchase an aggregate 80,000 common shares at a price of $0.53 per share for a period of two years from closing. The finders' warrants had a fair value of $20,837, estimated using the Black-Scholes option pricing model with a volatility of 104.93%, risk-free interest rate of 3.92%, dividend rate of 0% and expected life of 2 years.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (cont'd)

a) Common shares (cont'd)

Transactions in the year ended December 31, 2023 (cont'd)

During the year ended December 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. As compensation to an agent for soliciting the exercise of the warrants, the Company paid finders' fees and costs of $78,175 and 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.

b) Obligation to issue shares

On October 29, 2023, the Company was required to issue 100,000 common shares (valued at $25,000) of the Company in accordance with a consulting agreement (Note 15). The 100,000 common shares were issued on April 15, 2024 (Note 8(a)).

c) Share purchase warrants

The following is a summary of changes in warrants from January 1, 2023 to December 31, 2024:

	Number of Warrants	Weighted Average Exercise Price $
Balance at January 1, 2023	10,849,532	0.99
Issued	3,934,550	0.69
Exercised	(3,127,000)	0.50
Expired	(4,433,532)	1.67
Balance at December 31, 2023	7,223,550	0.62
Issued	1,948,800	0.51
Exercised*	(383,040)	0.36
Expired / cancelled	(1,666,000)	0.57
Balance at December 31, 2024	7,123,310	0.61

*The weighted average share price on the date of exercise was $0.18.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (cont'd)

c) Share purchase warrants (cont'd)

As at December 31, 2024, the Company had outstanding and exercisable warrants as follows:

Number Outstanding and Exercisable	Exercise Price $	Expiry Date
156,350	0.58	March 2, 2025*
319,200	0.75	March 24, 2025*
2,025,000	0.80	March 24, 2025*
72,500	0.50	July 29, 2025
1,112,500	0.50	August 29, 2025
688,000	0.50	August 30, 2025
265,760	0.36	December 8, 2025
80,000	0.53	December 28, 2025
500,000	0.70**	December 28, 2025
96,000	0.55	January 24, 2026
600,000	0.70**	January 4, 2026
57,600	0.67	January 29, 2026
360,000	0.70**	January 29, 2026
35,200	0.36	May 10, 2026
80,000	0.36	June 18, 2026
136,000	0.25	November 12, 2026
91,200	0.25	November 29, 2026
448,000	0.25	December 19, 2026
7,123,310		

*See Note 18(d)
**See Note 18(h)

The weighted average remaining contractual life of warrants outstanding at December 31, 2024 is 0.74 (2023 - 0.62) years.

On July 12, 2024, the Company extended the expiry date of:

- 72,500 warrants issued originally set to expire on July 29, 2024 to July 29, 2025;
- 1,112,500 warrants originally set to expire on August 29, 2024 to August 29, 2025; and
- 688,000 warrants originally set to expire on August 30, 2024 to August 30, 2025.

9. SHARE-BASED COMPENSATION

The Company has a stock option plan (the "Plan") by which the directors may grant options to purchase common shares to directors, officers, employees and services providers of the Company on the terms that the directors may determine within the limitations set forth in the Plan. The maximum number of common shares issuable upon the exercise of options granted pursuant to the Plan is set at 10% of the total issued and outstanding shares. Options granted under the Plan will have the term, exercise price and vesting determined by the directors.

The Company has a restricted share unit plan (the "RSU Plan") dated effective June 23, 2021 by which the directors are authorized to provide for the granting, vesting, settlement and method of settlement of RSUs. The aggregate maximum number of common shares made available for issuance under the RSU Plan, including any other share compensation arrangements, shall not exceed 20% of the of the total issued and outstanding shares. There were no RSU's granted as at December 31, 2023 and 2024.

(Expressed in Canadian Dollars)

9.SHARE-BASED COMPENSATION (cont'd)

Share option transactions from January 1, 2023 to December 31, 2024 are as follows:

	Number of Options	Weighted Average Exercise Price $
Balance at January 1, 2023	5,636,000	1.49
Issued	2,240,000	0.73
Expired	(2,986,000)	1.66
Forfeited	(1,700,000)	1.28
Balance at December 31, 2023	3,190,000	0.90
Issued	4,000,000	0.27
Expired	(650,000)	1.19
Balance at December 31, 2024	6,540,000	0.49
Exercisable at December 31, 2024	6,340,000	0.49

As at December 31, 2024, the following stock options were outstanding and exercisable:

Number Outstanding	Number Exercisable	Exercise Price $	Expiry Date
290,000	290,000	0.80	April 3, 2025*
1,000,000	1,000,000	0.30	October 23, 2025
1,250,000	1,250,000	0.80	April 3, 2026
500,000	500,000	0.20	September 13, 2026*
1,500,000	1,500,000	0.25	September 26, 2026*
1,000,000	1,000,000	0.30	September 26, 2026
500,000	500,000	1.25	November 29, 2026
500,000	300,000	0.49	December 8, 2026
6,540,000	6,340,000		

*See Note 18(d)

The weighted average remaining contractual life of options outstanding at December 31, 2024 is 1.46 (2023 - 2.04) years. All option grants were valued using the Black-Scholes option pricing model with the following assumptions:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Weighted average fair value	$0.12	$0.33
Weighted average share price	$0.23	$0.64
Exercise price	$0.20-$0.30	$0.49-$0.80
Volatility	107%-109%	81%-94%
Expected life of option	1-2 years	2-3 years
Dividend yield	0%	0%
Risk-free interest rate	2.94%-3.25%	3.42%-3.97%

The Company recorded share-based compensation of $545,796 for the year ended December 31, 2024 (2023 - $614,461).

(Expressed in Canadian Dollars)

10. REVENUES

During the years ended December 31, 2024 and 2023, revenue consisted entirely of a single revenue stream, consulting services.

11. 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:

	December 31, 2024	December 31, 2023
Consulting fees	$ 267,816	$ 298,164
Directors' fees	$ -	$ 9,000
Research and lab fees	$ -	$ 262,742
Salaries, benefits and other remuneration	$ 189,305	$ 320,281

As at December 31, 2024, $392,832 (2023 - $135,544) payable to related parties and $105,382 (2023 - $105,382) payable to former related parties are included in accounts payable and accrued liabilities.

12. 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 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.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

The carrying values of cash, amounts receivable, accounts payable and accrued liabilities, and contingent share obligation approximate their fair values due to the short-term nature of these instruments. The carrying value of convertible debt approximates fair value, 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.

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

Fair value (cont'd)

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

The three levels of fair value estimation are:

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

The Company's contingent share obligation is a Level 3 financial instrument. The Company has estimated the fair value by taking the Company's share price at period-end divided by the number of shares granted at each milestone factoring in the probability of that milestone being achieved.

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 December 31, 2024 under its financial instruments is approximately $93,000.

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.

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

Financial risk management (***cont'd)***

Liquidity risk (cont'd)

The Company's contractual payment maturities are as follows:

Contractual Payments	Not later than one month $	Later than one month but not later than 1 year $	Later than 1 year but not later than 3 years $	Total $
Accounts payable and accrued liabilities	4,066,642	-	-	4,066,642
Convertible debt	313,387	2,793,792	2,447,600	5,554,779
	4,380,029	2,793,792	2,447,600	9,621,421

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 exchange risks at this time.

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

	December 31, 2024 $	December 31, 2023 $
Cash	14,867	201,509
Amounts receivable	24,301	221,050
Total financial assets	39,168	422,559
Accounts payable and accrued liabilities	(983,905)	(699,596)
Net statement of financial position exposure	(944,737)	(277,037)

At December 31, 2024, 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 $94,000 increase (decrease) in the Company's net loss for the period.

(Expressed in Canadian Dollars)

14. SEGMENTED INFORMATION

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

		December 31, 2024		December 31, 2023
Revenues				
Austria	$	6,224	$	81,698
Germany		16,351		19,520
Switzerland		4,410		3,532
Korea		-		267,497
	$	26,985	$	372,247

		December 31, 2024		December 31, 2023
Non-current assets				
Canada	$	-	$	56,366
Germany		405,663		492,164
	$	405,663	$	548,530

During the year ended December 31, 2024, the Company had three (2023 - two) major customers that comprised 92% (2023 - 100%) of revenue.

15. COMMITMENTS

In February 2021, the Company signed an agreement with Applied Pharmaceutical Innovation ("API") for the synthesis of pharmaceutical-grade psychedelic compounds and the parallel development of the standard operating procedures necessary to obtain regulatory approval for the respective commercial production process. The 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 operating cost at $20,000 per month.

On February 15, 2024, the Company entered into a debt settlement and release agreement to settle an aggregate $382,415 of accounts payable to a vendor through the issuance of common shares and the cash payment of $100,000. The shares will be issued in three installments of $94,138 worth of common shares, based on the closing price of the Company's common shares on the CSE on the day prior to issuance. The three installments are to be issued on the following dates: September 15, 2024, October 15, 2024 and February 15, 2025. As at December 31, 2024, the total amount payable of $382,415 remains in accounts payable and accrued liabilities as the Company has not issued any common shares or made cash payments. Subsequent to year end, the Company has made $175,000 in cash payments towards settlement of the amount owing.

In October 2023, the Company signed a joint development agreement with a German-based pharmaceutical developer for the acquisition of 100% of the intellectual property rights and joint development of an oral dissolvable ("ODF") drug reformulation using the active pharmaceutical ingredient Cladribine. As consideration for the intellectual property rights and development contributions, the Company has agreed to pay the following consideration:

- a cash fee of €150,000, payable in two equal installments being €75,000 on execution of the agreement (paid) and €75,000 on completion of the first pilot study;
- a monthly management fee of €15,000, which will be increased to €20,000 upon completion of the pilot study related to the Cladribine ODF;
- license fees in the event the Company grants licenses to any product using the Cladribine ODF or other film developed in performance of the joint development activities; and

15. COMMITMENTS (cont'd)

- 100,000 common shares on execution of the agreement (issued and valued at $25,000) and up to 2,500,000 additional shares upon the occurrence of certain specified milestones (150,000 common shares issued and valued at $57,000).

The Company has recognized a contingent liability associated with the potential obligation to issue common shares upon certain milestones being met. As at December 31, 2024, the contingent share obligation is $64,600 (2023 - $153,600) on the consolidated statements of financial position. The Company estimated the fair value of the obligation on signing of the contract at $80,000, which has been recorded in research and lab fees in the consolidated statements of loss and comprehensive loss. On April 15, 2024, the Company issued 150,000 shares, which extinguished $57,000 of the contingent liability (Note 8a). The change in fair value for the year ended December 31, 2024 of $32,000 (2023 - $73,600) has been recorded as change in fair value of contingent share obligation in the consolidated statements of loss and comprehensive loss.

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the year ended December 31, 2024 consisted of:

a) The reversal of obligation to issue shares of $25,000 on issuance of 250,000 common shares with related to a joint development agreement (Note 15).

b) The issuance of 313,600 finders' warrants with a fair value of $86,165 related to the issuance of shares.

c) The issuance of 675,200 finders' warrants with a fair value of $114,727 related to the issuance of convertible debt.

d) The reversal of reserves to deficit of $551,611 on expired options.

e) The recognition of equity component of $394,929 related to the extinguishment of debt and issuance of convertible debt.

f) Reclassification of $1,898,669 principal and interest from convertible debt to accrued liabilities on maturity.

g) The reversal of reserves to share capital of $115,187 on exercise of warrants.

Significant non-cash transactions for the year ended December 31, 2023 consisted of:

a) The issuance of 1,159,550 finders' warrants with a fair value of $365,931 related to the issuance of shares and exercise of warrants.

b) The issuance of 250,000 common shares with a fair value of $120,000 and 250,000 finders' warrants with a fair value of $48,042 related to the settlement of convertible debentures.

c) The issuance of 162,192 common shares with a fair value of $77,852 related to the settlement of $81,096 of accrued interest on convertible debentures.

d) The reversal of reserves to deficit of $3,341,295 on expired options.

e) The recognition of equity component of $191,104 related to the issuance of convertible debt.

The Company paid $nil for taxes during the years ended December 31, 2024 and 2023.

(Expressed in Canadian Dollars)

17. INCOME TAXES

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

		December 31, 2024		December 31, 2023
Loss before income taxes	$	(5,401,295)	$	(7,722,927)
Expected income tax recovery		(1,458,000)		(2,085,000)
Change in statutory, foreign tax, foreign exchange rates and other		(15,210)		(12,000)
Permanent differences		136,000		166,000
Share issuance costs		(28,000)		(121,000)
Adjustment to prior years' provision versus statutory tax returns and expiry of non-capital losses		(247,000)		(79,000)
Change in unrecognizable deductible temporary differences		1,492,000		2,131,000
Income tax recovery	$	(89,790)	$	-
Current income tax	$	-	$	-
Deferred tax recovery	$	(89,790)	$	-

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

		December 31, 2024		December 31, 2023
Deferred tax assets (liabilities)				
Property and equipment	$	435,000	$	409,000
Share issuance costs		271,000		340,000
Debt with accretion		251,000		195,000
Intangible assets		15,000		15,000
Non-capital losses available for future years		12,245,000		10,766,000
		13,217,000		11,725,000
Unrecognized deferred tax assets		(13,217,000)		(11,725,000)
Net deferred tax liability	$	-	$	-

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

	December 31, 2024 $	Expiry Date Range	December 31, 2023 $	Expiry Date Range
Temporary differences				
Property and equipment	1,634,000	No expiry date	1,547,000	No expiry date
Share issuance costs	1,003,000	2045 to 2048	1,261,000	2044 to 2047
Intangible assets	49,000	No expiry date	49,000	No expiry date
Non-capital losses available for future years	44,491,000		39,031,000	
Canada	26,319,000	2037 to 2044	23,076,000	2037 to 2043
Germany	18,172,000	No expiry date	15,955,000	No expiry date

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

18. SUBSEQUENT EVENTS

a) Subsequent to December 31, 2024, 1,000,000 stock options and 683,000 share purchase warrants were exercised for gross proceeds of $225,000 and $341,500, respectively.

b) Subsequent to December 31, 2024, the Company granted 1,650,000 stock options to certain directors and officers and with an exercise price of $0.50 and an expiry of 5 years, and 1,250,000 stock options to consultants with an exercise price of $0.50 and expiry of 2 years.

c) Subsequent to December 31, 2024, the Company granted 1,810,000 restricted share units ("RSUs") to certain directors, officers and consultants of the Company pursuant to the Company's restricted share unit plan. The RSUs will vest as follows: 25% on April 1, 2025; 25% on July 1, 2025; 25% on October 1, 2025; and 25% on January 1, 2026. 20,000 common shares have been issued in settlement of 20,000 RSU's.

d) Subsequent to December 31, 2024, 290,000 stock options and 2,430,550 share purchase warrants expired unexercised.

e) Subsequent to December 31, 2024, the Company closed its fourth and final tranche of a non-brokered private placement of unsecured convertible debentures for gross proceeds of $890,000. The convertible debentures bear interest at a rate of 8% per annum, and mature two years following the date of issuance. The principal amount and any accrued and unpaid interest on the debentures may be convertible at the election of the holder into common shares of the Company at a conversion price of $0.25 per common share. Conversion of the debentures may be forced at the option of the Company if the 15-day volume-weighted average price of the common shares of the Company exceeds $0.625.

   In connection with the offering, the Company paid a cash fee of $71,200 and issued 284,800 finders' warrants. Each finder's warrant entitles the holder thereof to purchase one common share at an exercise price of $0.25 for a period of 24 months from the date of issuance.

f) Subsequent to December 31, 2024, the Company closed the sale of 5,000,000 convertible debenture units for gross proceeds of $2,500,000 pursuant to a non-brokered private placement over two tranches. Each debenture unit consists of $0.50 principal amount of 8% unsecured convertible debenture and one share purchase warrant. The convertible debentures bear interest at a rate of 8% per annum, and mature two years following the date of issuance. The principal amount and any accrued and unpaid interest on the debentures may be convertible at the election of the holder into common shares of the Company at a conversion price of $0.50 per common share. The interest payable on the principal amount of the debenture may be paid through the issuance of common shares at the conversion price at the election of the Company. Each warrant is exercisable to acquire one common share at an exercise price of $0.60 for a period of 24 months from the date of issuance.

   In connection with the offering, the Company paid cash fees of $200,000 and issued 400,000 finders' warrants. Each finder's warrant entitles the holder thereof to purchase one common share at an exercise price of $0.50 for a period of 24 months from the date of issuance.

g) Subsequent to December 31, 2024, the Company issued 1,859,649 common shares to extinguish $616,000 in unpaid interest on its convertible debentures.

h) Subsequent to December 31, 2024, the Company amended 1,460,000 share purchase warrants to reduce the exercise prices from $0.70 to $0.50 and added an expiry acceleration clause whereby the warrants will expire in 30 days if the 10-day volume-weighted average price of the common shares of the Company is equal to or greater than $0.60.

i) Subsequent to December 31, 2024, the Company amended 2,025,000 share purchase warrants to reduce the exercise prices from $0.80 to $0.50 and added an expiry acceleration clause whereby the warrants will expire in 30 days if the 10-day volume-weighted average price of the common shares of the Company is equal to or greater than $0.60.