# BioNxt Solutions Inc.

## Condensed Consolidated Interim Financial Statements

## For the Six Months Ended June 30, 2025 and 2024

## 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. 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.**
**Condensed Consolidated Interim Statements of Financial Position**
**(Expressed in Canadian Dollars)**

| **As at** | **Note** | | **June 30, 2025** | | **December 31, 2024** |
|---|---|---|---|---|---|
| | | | (unaudited) | | |
| **Assets** | | | | | |
| **Current Assets** | | | | | |
| Cash | | $ | 4,237 | $ | 32,352 |
| Amounts receivable | | | 75,477 | | 60,599 |
| Prepaid expenses | | | 198,462 | | 70,741 |
| | | | **278,176** | | **163,692** |
| **Non-current Assets** | | | | | |
| Property and equipment | 4 | | 335,435 | | 405,661 |
| Intangible assets | | | 2 | | 2 |
| **Total Assets** | | **$** | **613,613** | **$** | **569,355** |
| **Liabilities** | | | | | |
| **Current Liabilities** | | | | | |
| Accounts payable and accrued liabilities | 5,10 | $ | 1,865,134 | $ | 4,086,400 |
| Contingent share obligation | 14 | | 95,200 | | 64,600 |
| Convertible debt | 6 | | 2,625,685 | | 2,726,759 |
| | | | **4,586,019** | | **6,877,759** |
| **Non-current Liabilities** | | | | | |
| Convertible debt | 6 | | 4,437,851 | | 1,553,056 |
| **Total Liabilities** | | | **9,023,870** | | **8,430,815** |
| **Equity** | | | | | |
| **Shareholders' Deficiency** | | | | | |
| Share capital | 7a | | 54,043,288 | | 52,606,841 |
| Reserves | | | 6,227,635 | | 4,495,332 |
| Accumulated other comprehensive loss | | | (804,051) | | (275,312) |
| Accumulated deficit | | | (67,877,129) | | (64,688,321) |
| **Total Shareholders' Deficiency** | | | **(8,410,257)** | | **(7,861,460)** |
| **Total Liabilities and Shareholders' Deficiency** | | **$** | **613,613** | **$** | **569,355** |

Nature and Continuance of Operations (Note 1)
Commitments (Note 14)
Subsequent Events (Note 16)

*Approved by the directors on August 28, 2025*

***Hugh Rogers (signed)***

***Wolfgang Probst (signed)***

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

**BIONXT SOLUTIONS INC.**
**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss**
**(Unaudited – Expressed in Canadian Dollars)**

| | Three Months Ended June 30, 2025 | Three Months Ended June 30, 2024 | Six Months Ended June 30, 2025 | Six Months Ended June 30, 2024 |
|---|---|---|---|---|
| **Revenues** (Note 9) | $ - | $ 1,185 | $ - | $ 5,321 |
| **Operating Expenses** | | | | |
| Consulting fees (Note 10) | 1,621 | 139,204 | 37,013 | 328,588 |
| Depreciation and amortization (Note 4) | 6,817 | 22,824 | 866 | 45,983 |
| Foreign exchange gain | (217,209) | (6,926) | (485,966) | (6,221) |
| Marketing and advertising | 341,197 | 30,534 | 795,343 | 409,054 |
| Office and miscellaneous | 40,801 | 32,398 | 72,384 | 86,450 |
| Professional fees | 100,939 | 39,421 | 183,477 | 85,045 |
| Regulatory fees | 45,843 | 17,019 | 56,703 | 25,010 |
| Rent and utilities | 13,461 | 29,192 | 48,020 | 62,063 |
| Research and lab fees (Notes 10 and 14) | 315,792 | 276,258 | 472,539 | 723,113 |
| Salaries, benefits and other remuneration (Note 10) | 3,557 | 121,495 | 7,728 | 274,649 |
| Share-based compensation (Notes 8 and 10) | 256,764 | 22,437 | 1,295,616 | 44,874 |
| Travel and related | 3,764 | 6,023 | 6,023 | 6,517 |
| **Total Operating Expenses** | (913,347) | (729,879) | (2,489,746) | (2,085,125) |
| **Operating Loss** | (913,347) | (728,694) | (2,489,746) | (2,079,804) |
| **Other Income (Expenses)** | | | | |
| Finance costs (Note 6) | (383,789) | (245,740) | (637,629) | (469,237) |
| Government subsidy | - | - | - | 818 |
| Loss on settlement of convertible debt (Note 6) | - | - | (121,263) | - |
| Gain on disposal of property and equipment (Note 4) | 236 | - | 4,429 | - |
| Change in fair value of contingent share obligation | (3,400) | - | (30,600) | - |
| **Total Other Income (Expenses)** | (386,953) | (245,740) | (785,063) | (468,419) |
| **Loss for the Period** | (1,300,300) | (974,434) | (3,274,809) | (2,548,223) |
| **Item that may be Subsequently Reclassified to Profit or Loss** | | | | |
| Cumulative translation adjustment | (237,570) | (9,410) | (528,739) | (11,503) |
| **Comprehensive Loss for the Period** | $ (1,537,870) | $ (983,844) | $ (3,803,548) | $ (2,559,726) |
| **Loss Per Share – Basic and Diluted** | $ (0.01) | $ (0.01) | $ (0.03) | $ (0.02) |
| **Weighted Average Number of Common Shares Outstanding – Basic and Diluted** | 116,077,091 | 109,744,340 | 115,840,120 | 109,603,241 |

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

## BIONXT SOLUTIONS INC.
## Condensed Consolidated Interim Statements of Cash Flows
## (Unaudited – Expressed in Canadian Dollars)

| | Six Months Ended June 30, 2025 | Six Months Ended June 30, 2024 |
|---|---|---|
| **Operating Activities** | | |
| Loss for the period | $ (3,274,809) | $ (2,548,223) |
| Adjustments for | | |
| Depreciation and amortization | 866 | 45,983 |
| Share-based compensation | 1,295,616 | 44,874 |
| Shares issued for research and lab fees | - | 57,000 |
| Finance costs | 637,629 | 469,237 |
| Foreign exchange gain | (540,776) | (12,669) |
| Change in fair value of contingent share obligation | (30,600) | - |
| Gain on settlement of convertible debt | 121,263 | - |
| Gain on disposal of property and equipment | (4,429) | - |
| Changes in non-cash working capital items | | |
| Amounts receivable | (14,878) | 167,050 |
| Prepaid expenses | (11,469) | (131,626) |
| Accounts payable and accrued liabilities | (282,666) | 295,321 |
| Contingent share obligation | 30,600 | (106,000) |
| **Cash Used in Operating Activities** | (2,073,653) | (1,719,053) |
| **Investing Activity** | | |
| Proceeds from disposal of property and equipment | 84,986 | 56,211 |
| **Cash Provided by Investing Activity** | 84,986 | 56,211 |
| **Financing Activities** | | |
| Proceeds from exercise of warrants | 341,500 | - |
| Proceeds from exercise of stock options | 225,000 | - |
| Proceeds from issuance of convertible debentures | 3,390,000 | - |
| Proceeds from issuance of shares | - | 1,713,000 |
| Share issuance costs | - | (104,640) |
| Repayment of matured convertible debentures included in accounts payable and accrued liabilities | (1,708,000) | - |
| Transaction costs | (288,788) | - |
| **Cash Provided by Financing Activities** | 1,959,712 | 1,608,360 |
| **Effect of Exchange Rate on Cash** | 840 | 451 |
| **Change in Cash for the Period** | (28,115) | (54,031) |
| **Cash, Beginning of Period** | 32,352 | 363,655 |
| **Cash, End of Period** | $ 4,237 | $ 309,624 |

**Supplemental Disclosure with Respect to Cash Flows** (Note 15)

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

**BIONXT SOLUTIONS INC.**
**Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency**
**(Unaudited – 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** | 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 | - | - | - |
| Share-based compensation | - | - | - | 44,874 | - | - | 44,874 |
| Cumulative translation adjustment | - | - | - | - | (11,503) | - | (11,503) |
| Loss for the period | - | - | - | - | - | (2,548,223) | (2,548,223) |
| **Balance, June 30, 2024** | 113,019,065 | 52,353,760 | - | 4,151,552 | (160,816) | (62,476,650) | (6,132,154) |
| 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 | - | - | - | 500,922 | - | - | 500,922 |
| Finders' fees for convertible debt | - | - | - | 114,727 | - | - | 114,727 |
| Expired options | - | - | - | (551,611) | - | 551,611 | - |
| Cumulative translation adjustment | - | - | - | - | (114,496) | - | (114,496) |
| Loss for the period | - | - | - | - | - | (2,763,282) | (2,763,282) |
| **Balance, December 31, 2024** | 113,402,105 | 52,606,841 | - | 4,495,332 | (275,312) | (64,688,321) | (7,861,460) |
| Issuance of shares on exercise of warrants | 683,000 | 341,500 | - | - | - | - | 341,500 |
| Issuance of shares on exercise of options | 1,000,000 | 225,000 | - | - | - | - | 225,000 |
| Fair value transferred on exercise of options | - | 124,484 | - | (124,484) | - | - | - |
| Issuance of shares on settlement of restricted share units | 20,000 | 8,200 | - | (8,200) | - | - | - |
| Issuance of shares for repayment of convertible debt | 1,859,649 | 737,263 | - | - | - | - | 737,263 |
| Issuance of convertible debt | - | - | - | 293,771 | - | - | 293,771 |
| Share-based compensation | - | - | - | 1,295,616 | - | - | 1,295,616 |
| Finders' fees for convertible debt | - | - | - | 361,601 | - | - | 361,601 |
| Expired options | - | - | - | (86,001) | - | 86,001 | - |
| Cumulative translation adjustment | - | - | - | - | (528,739) | - | (528,739) |
| Loss for the period | - | - | - | - | - | (3,274,809) | (3,274,809) |
| **Balance, June 30, 2025** | 116,964,754 | 54,043,288 | - | 6,227,635 | (804,051) | (67,877,129) | (8,410,257) |

*The accompanying notes are an integral part of these condensed consolidated interim 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 condensed consolidated interim 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 $4,307,843 as at June 30, 2025 and incurred a loss of $3,274,809 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 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 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.

## 2. BASIS OF PRESENTATION

### a) Statement of compliance to IFRS Accounting Standards ("IFRS")

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 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, 2024 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, 2025.

## 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 | Germany | 100% owned |
| XP Diagnostics GmbH | Germany | 100% owned |
| Vektor Pharma TF GmbH | Germany | 100% owned |
| BioNxt Europe GmbH (formerly SCUR Alpha 1108 GmbH) | Germany | 100% owned |
| 3a-diagnostics GmbH | Germany | 100% owned |
| Vektor Vermogens und Grundbesitz GmbH | Germany | 100% owned |

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

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

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

### c) Basis of measurement

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

### d) Use of estimates and judgments

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

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

## 2. BASIS OF PRESENTATION (cont'd)

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

***Key sources of estimation uncertainty***

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

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

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

iii) 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 14).

***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.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION

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, 2024.

**(Unaudited – Expressed in Canadian Dollars)**

## 4. PROPERTY AND EQUIPMENT

| | Office Equipment and Fixtures $ | Computer Hardware $ | Testing, Lab Equipment and Machines $ | Total $ |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at January 1, 2024 | 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 |
| Disposals | - | - | (225,671) | (225,671) |
| Cumulative translation adjustment | 6,228 | 258 | 36,291 | 42,777 |
| **Balance at June 30, 2025** | **119,536** | **32,035** | **628,542** | **780,113** |
| **Accumulated Depreciation** | | | | |
| Balance at January 1, 2024 | 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 |
| Depreciation (recovery) | 4,385 | 261 | (3,780) | 866 |
| Disposals | - | - | (145,114) | (145,114) |
| Cumulative translation adjustment | 3,182 | 258 | 28,140 | 31,580 |
| **Balance at June 30, 2025** | **69,426** | **31,762** | **343,490** | **444,678** |
| **Carrying Amounts** | | | | |
| As at December 31, 2024 | 51,449 | 534 | 353,678 | 405,661 |
| **As at June 30, 2025** | **50,110** | **273** | **285,052** | **335,435** |

During the six months ended June 30, 2025, the Company sold testing, lab equipment and machines for proceeds of $84,986, resulting in a gain on disposal of $4,429.

## 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | June 30, 2025 | December 31, 2024 |
|---|---|---|
| Trade payables | $ 981,601 | $ 1,112,788 |
| Accrued liabilities | 883,533 | 2,973,612 |
| | **$ 1,865,134** | **$ 4,086,400** |

## 6. 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.

**6. CONVERTIBLE DEBT (cont'd)**

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.

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 was repaid during the six months ended June 30, 2025. On January 28, 2025, the Company issued 400,000 common shares to extinguish $200,000 of the $1,700,000 (valued at $168,000).

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.

**6. 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 $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.

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 was repaid during the six months ended June 30, 2025. On January 8, 2025, the Company issued 1,459,649,000 common shares to extinguish $416,000 of unpaid interest (valued at $569,263).

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.

**6. CONVERTIBLE DEBT (cont'd)**

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.

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 $30,372 were charged to the equity component. In addition, the resulting deferred tax amount of $59,577 has been charged to the equity component.

**6. CONVERTIBLE DEBT (cont'd)**

On January 14, 2025, 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 until January 14, 2027. The finder's warrants have a fair value of $77,375 estimated using the Black-Scholes option pricing model with a volatility of 104.61%, risk-free interest rate of 3.15%, 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 $749,729 with the residual portion of $140,271 allocated to equity. Transaction costs totalled $148,575, of which $125,158 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 $23,417 were charged to the equity component.

On February 25, 2025, the Company closed its first tranche of 3,200,000 unsecured convertible debenture units for gross proceeds of $1,600,000 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 until February 25, 2027. In connection with the offering, the Company paid cash fees of $128,000 and issued 256,000 finders' warrants. Each finder's warrant entitles the holder thereof to purchase one common share at an exercise price of $0.50 until February 25, 2027. The finder's warrants have a fair value of $72,605 estimated using the Black-Scholes option pricing model with a volatility of 104,.46%, risk-free interest rate of 2.57%, 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 $1,347,827 with the residual portion of $131,036 allocated to equity and $121,137 to the warrants. Transaction costs totalled $209,399, of which $176,396 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 $17,149 and $15,854 were charged to the equity component and warrant component, respectively.

**(Unaudited – Expressed in Canadian Dollars)**

**6. CONVERTIBLE DEBT (cont'd)**

On March 14, 2025, the Company closed its second and final tranche of 1,800,000 unsecured convertible debenture units for gross proceeds of $900,000 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 until March 14, 2027. In connection with the offering, the Company paid cash fees of $72,000 and issued 144,000 finders' warrants. Each finder's warrant entitles the holder thereof to purchase one common share at an exercise price of $0.50 until March 14, 2027. The finder's warrants have a fair value of $47,786 estimated using the Black-Scholes option pricing model with a volatility of 104.69%, risk-free interest rate of 2.57%, 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 $758,153 with the residual portion of $73,536 allocated to equity and $68,311 to the warrants. Transaction costs totalled $128,580, of which $108,315 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 $10,506 and $9,759 were charged to the equity component and warrant component, respectively.

| | | June 30, 2025 | | December 31, 2024 |
|---|---|---|---|---|
| Opening balance | $ | 4,279,815 | $ | 4,894,155 |
| Additions from principal amounts | | 3,390,000 | | 4,710,000 |
| Equity component | | (344,843) | | (530,866) |
| Warrant component | | (189,448) | | - |
| Transaction costs | | (409,869) | | (246,643) |
| Accrued interest (accretion) | | 637,629 | | 985,148 |
| Payments | | - | | (1,033,280) |
| Conversions and settlement of interest | | (299,748) | | - |
| Extinguishment | | - | | (2,600,000) |
| Transferred to accrued liabilities on maturity | | - | | (1,898,699) |
| | **$** | **7,063,536** | **$** | **4,279,815** |
| | | | | |
| Current portion | $ | 2,625,685 | $ | 2,726,759 |
| Non-current portion | $ | 4,437,851 | $ | 1,553,056 |

At June 30, 2025, the balance of convertible debt includes interest of $nil (December 31, 2024 - $313,387) payable to the December 7, 2022 debenture holder.

At June 30, 2025, the total contractual undiscounted cash flows are $9,187,431 (December 31, 2024 - $5,554,779).

## 7. 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 six months ended June 30, 2025***

On January 8, 2025, the Company issued 1,459,649 common shares to settle $416,000 in convertible debenture interest owing. The common shares had a fair value of $569,263 and the settlement of interest resulted in a loss on settlement of convertible debt of $153,263.

On January 28, 2025, the Company issued 400,000 common shares to settle $200,000 in convertible debt, which was recorded in accounts payable and accrued liabilities. The common shares had a fair value of $168,000 and the settlement of convertible debt resulted in a gain on settlement of convertible debt of $32,000.

On June 10, 2025, the Company issued 20,000 common shares upon settlement of 20,000 restricted share units ("RSUs"). Upon settlement, $8,200 was allocated from reserves to share capital.

During the six months ended June 30, 2025, the Company issued 683,000 common shares for proceeds of $341,500 in connection with the exercise of 683,000 warrants and 1,000,000 common shares for proceeds of $225,000 in connection with the exercise of 1,000,000 stock options. Upon exercise, $124,484 was allocated from reserves to share capital.

***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 14).

**(Unaudited – Expressed in Canadian Dollars)**

## 7. SHARE CAPITAL (cont'd)

### a) Common shares (cont'd)

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

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.

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.

### 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 14). The 100,000 common shares were issued on April 15, 2024 (Note 7(a)).

### c) Share purchase warrants

The following is a summary of changes in warrants from January 1, 2024 to June 30, 2025:

| | Number of Warrants | Weighted Average Exercise Price $ |
|---|---|---|
| Balance at January 1, 2024 | 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 |
| Issued | 5,684,800 | 0.58 |
| Exercised* | (683,000) | 0.50 |
| Expired / cancelled | (2,430,550) | 0.54 |
| **Balance at June 30, 2025** | 9,694,560 | 0.52 |

*The weighted average share price on the date of exercise was $0.56 (December 31, 2024 - $0.18).

**(Unaudited – Expressed in Canadian Dollars)**

## 7. SHARE CAPITAL (cont'd)

### c) Share purchase warrants (cont'd)

As at June 30, 2025, the Company had outstanding and exercisable warrants as follows:

| Number Outstanding and Exercisable | Exercise Price $ | Expiry Date |
|---|---|---|
| 72,500 | 0.50 | July 29, 2025 |
| 1,112,500 | 0.50 | August 29, 2025 |
| 487,500 | 0.50 | August 30, 2025 |
| 265,760 | 0.36 | December 8, 2025 |
| 80,000 | 0.53 | December 28, 2025 |
| 400,000 | 0.50 | December 28, 2025 |
| 96,000 | 0.55 | January 4, 2026 |
| 287,500 | 0.50 | January 4, 2026 |
| 57,600 | 0.67 | January 29, 2026 |
| 360,000 | 0.50 | 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 |
| 284,800 | 0.25 | January 14, 2027 |
| 256,000 | 0.50 | February 28, 2027 |
| 3,200,000 | 0.60 | February 28, 2027 |
| 144,000 | 0.50 | March 14, 2027 |
| 1,800,000 | 0.60 | March 14, 2027 |
| 9,694,560 | | |

The weighted average remaining contractual life of warrants outstanding at June 30, 2025 is 1.20 (December 31, 2024 - 0.74) 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.

On February 1, 2025, the Company reduced the exercise price of:

- 2,025,000 warrants originally with an exercise price of $0.80 to $0.50; and
- 1,460,000 warrants originally with an exercise price of $0.70 to $0.50.

The Company added an expiry acceleration clause whereby the warrants with reduced exercise prices 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.

## 8. 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 service 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.

**(Unaudited – Expressed in Canadian Dollars)**

## 8. SHARE-BASED COMPENSATION (cont'd)

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 total issued and outstanding shares.

Stock option transactions from January 1, 2024 to June 30, 2025 are as follows:

| | Number of Options | Weighted Average Exercise Price $ |
|---|---|---|
| Balance at January 1, 2024 | 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 |
| Issued | 2,900,000 | 0.50 |
| Exercised | (1,000,000) | 0.23 |
| Expired | (290,000) | 0.80 |
| **Balance at June 30, 2025** | 8,150,000 | 0.51 |
| **Exercisable at June 30, 2025** | 7,800,000 | 0.51 |

As at June 30, 2025, the following stock options were outstanding and exercisable:

| Number Outstanding | Number Exercisable | Exercise Price $ | Expiry Date |
|---|---|---|---|
| 1,000,000 | 1,000,000 | 0.30 | October 23, 2025 |
| 1,250,000 | 1,250,000 | 0.80 | April 3, 2026 |
| 1,000,000 | 1,000,000 | 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 |
| 1,250,000 | 1,100,000 | 0.50 | January 31, 2027 |
| 1,650,000 | 1,650,000 | 0.50 | January 31, 2030 |
| 8,150,000 | 7,800,000 | | |

The weighted average remaining contractual life of options outstanding at June 30, 2025 is 1.81 (December 31, 2024 - 1.46) years. All option grants were valued using the Black-Scholes option pricing model with the following assumptions:

| | Six Months Ended June 30, 2025 | Year Ended December 31, 2024 |
|---|---|---|
| Weighted average fair value | $0.25 | $0.12 |
| Weighted average share price | $0.41 | $0.23 |
| Exercise price | $0.50 | $0.20-$0.30 |
| Volatility | 93%-103% | 107%-109% |
| Expected life of option | 2-5 years | 1-2 years |
| Dividend yield | 0% | 0% |
| Risk-free interest rate | 2.66% | 2.94%-3.25% |

**(Unaudited – Expressed in Canadian Dollars)**

## 8. SHARE-BASED COMPENSATION (cont'd)

The Company recorded share-based compensation of $728,203 for the six months ended June 30, 2025 (2024 - $44,874) related to stock options.

RSU transactions from January 1, 2024 to June 30, 2025 are as follows:

| | Number of RSU's |
|---|---|
| Balance at January 1, 2024 and December 31, 2024 | - |
| Issued | 1,810,000 |
| Settled | (20,000) |
| **Balance at June 30, 2025** | 1,790,000 |
| **Settleable at June 30, 2025** | 432,500 |

The Company recorded share-based compensation of $567,413 for the six months ended June 30, 2025 (2024 - $nil) related to RSUs.

| Number Outstanding | Number Settleable | Expiry Date |
|---|---|---|
| 1,790,000 | 432,500 | January 31, 2027 |

## 9. REVENUES

During the six months ended June 30, 2025 and 2024, revenue consisted entirely of a single revenue stream, consulting services.

## 10. 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:

| | June 30, 2025 | June 30, 2024 |
|---|---|---|
| Consulting fees | $ 12,500 | $ 136,116 |
| Research and lab fees | $ - | $ 30,000 |
| Salaries, benefits and other remuneration | $ 4,802 | $ 94,503 |
| Share-based compensation | $ 895,697 | $ - |

As at June 30, 2025, $208,136 (December 31, 2024 - $392,832) payable to related parties and $217,592 (December 31, 2024 - $105,382) payable to former related parties are included in accounts payable and accrued liabilities.

## 11. 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.

## 12. 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.

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.

## 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

### *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, 2025 under its financial instruments is approximately $80,000.

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

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

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

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

The Company's contractual payment maturities are as follows:

| Contractual Payments | Not Later Than One Month<br>$ | Later Than One Month But Not Later Than 1 Year<br>$ | Later Than 1 Year But Not Later Than 3 Years<br>$ | Total<br>$ |
|---|---|---|---|---|
| Accounts payable and accrued liabilities | 1,865,134 | - | - | 1,865,134 |
| Convertible debt | 13,639 | 2,793,792 | 6,380,000 | 9,187,431 |
| | 1,878,773 | 2,793,792 | 6,380,000 | 11,052,565 |

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.

**(Unaudited – Expressed in Canadian Dollars)**

## 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

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

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

| | **June 30, 2025 $** | **December 31, 2024 $** |
|---|---:|---:|
| Cash | 3,171 | 14,867 |
| Amounts receivable | 49,882 | 24,301 |
| Total financial assets | 53,053 | 39,168 |
| Accounts payable and accrued liabilities | (1,245,293) | (983,905) |
| Net statement of financial position exposure | (1,192,240) | (944,737) |

At June 30, 2025, 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 $119,000 increase (decrease) in the Company's net loss for the period.

## 13. SEGMENTED INFORMATION

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

| | | **June 30, 2025** | | **June 30, 2024** |
|---|---|---:|---|---:|
| Revenues | | | | |
| Austria | $ | - | $ | 2,050 |
| Germany | | - | | 959 |
| Switzerland | | - | | 1,127 |
| | $ | - | $ | 4,136 |

| | | **June 30, 2025** | | **December 31, 2024** |
|---|---|---:|---|---:|
| Non-current assets | | | | |
| Germany | $ | 335,437 | $ | 405,663 |

During the six months ended June 30, 2025, the Company did not have any (2024 - two) major customers (2024 - comprised 68% of revenue).

## 14. COMMITMENTS

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 operating cost at $20,000 per month.

### 14. COMMITMENTS (cont'd)

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 June 30, 2025, the Company has not issued any common shares and has made cash payments of $175,000. Subsequent to June 30, 2025, the Company has made an additional $50,000 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
- 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 June 30, 2025, the contingent share obligation is $95,200 (December 31, 2024 - $64,600) on the condensed consolidated interim 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 condensed consolidated interim 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 7(a)). The change in fair value for the six months ended June 30, 2025 of $30,600 (2024 - $49,000) has been recorded as change in fair value of contingent share obligation in the condensed consolidated interim statements of loss and comprehensive loss.

### 15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the six months ended June 30, 2025 consisted of:

a) The issuance of 684,800 finders' warrants with a fair value of $197,766 related to the issuance of convertible debt.

b) The recognition of equity and warrant components of $534,291 related to the extinguishment of debt and issuance of convertible debt.

c) Extinguishment of $200,000 of accrued liabilities upon the issuance of shares for principal and interest from convertible debt.

d) The reversal of reserves to share capital of $124,484 on exercise of stock options and $86,001 on the expiry of stock options.

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

Significant non-cash transactions for the six months ended June 30, 2024 consisted of:

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

b) The issuance of 250,000 common shares with a fair value of $82,000 related to a joint development agreement.

The Company paid $nil for taxes during the six months ended June 30, 2025 and 2024.

## 16. SUBSEQUENT EVENTS

a) Subsequent to June 30, 2025, the Company closed the sale of 2,084,000 convertible debenture units for gross proceeds of $1,250,400 pursuant to a non-brokered private placement over two tranches. Each debenture unit consists of $0.60 principal amount of 8% unsecured convertible debenture and one share purchase warrant. The convertible debentures bear interest at a rate of 8% per annum, payable annually, 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 $0.60 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 $0.75 for a period of 24 months from the date of issuance.

   In connection with the offering, the Company paid cash fees of $100,032 and issued 166,720 finders' warrants. Each finder's warrant entitles the holder thereof to purchase one common share at an exercise price of $0.60 for a period of 24 months from the date of issuance.

b) Subsequent to June 30, 2025, the Company issued 2,083,000 common shares for proceeds of $1,041,500 in connection with the exercise of 2,083,000 warrants and 30,000 common shares for proceeds of $15,000 in connection with the exercise of 30,000 stock options.

c) Subsequent to June 30, 2025, the Company issued 290,000 common shares upon settlement of 290,000 RSUs.

d) Subsequent to June 30, 2025, the Company issued 100,000 common shares upon the conversion of $25,000 of convertible debentures at a price of $0.25 per share.