UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2023

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the period from _____________ to______________

Commission file number: 000-40761

BIOTRICITY INC.
(Exact name of registrant as specified in its charter)

Nevada	**30-0983531**
State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

203 Redwood Shores Parkway, Suite 600
Redwood City, California 94065
(Address of principal executive offices)

(650) 832-1626
(Registrant's Telephone Number, Including Area Code)

Indicate by check whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act).

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
Emerging growth company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	BTCY	The NASDAQ Stock Market LLC

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 8,321,342 shares of Common Stock, $0.001 par value, at August 14, 2023. As at that same date, the Company also has 244,453 Exchangeable Shares outstanding that convert directly into common shares, which when combined with its Common Stock produce an amount equivalent to 8,565,795 outstanding voting securities.

BIOTRICITY INC.

PART 1

FINANCIAL INFORMATION

Item 1 – Condensed Consolidated Financial Statements

BIOTRICITY INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30, 2023 (unaudited) AND MARCH 31, 2023 (audited)
(Expressed in US Dollars)

	As at June 30, 2023	As at March 31, 2023
	$	$
CURRENT ASSETS		
Cash	51,433	570,460
Accounts receivable, net	1,512,753	1,224,137
Inventories *[Note 3]*	2,215,560	2,337,006
Deposits and other receivables	620,932	588,599
Total current assets	4,400,678	4,720,202
Deposits *[Note 10]*	85,000	85,000
Long-term accounts receivable	138,737	96,344
Property and equipment *[Note 12]*	20,017	21,506
Operating right of use assets *[Note 10]*	1,499,691	1,587,492
TOTAL ASSETS	6,144,123	6,510,544
CURRENT LIABILITIES		
Accounts payable and accrued liabilities *[Note 4]*	6,563,095	5,042,476
Convertible promissory notes and short term loans *[Note 5]*	5,600,051	4,774,468
Term loan, current *[Note 6]*	600,000	—
Derivative liabilities *[Note 8]*	1,984,781	1,008,216
Operating lease obligations, current *[Note 10]*	349,616	335,608
Total current liabilities	15,097,543	11,160,768
Federally guaranteed loans *[Note 7]*	870,800	870,800
Term loan *[Note 6]*	11,629,751	12,178,809
Derivative liabilities *[Note 8]*	679,238	759,065
Operating lease obligations *[Note 10]*	1,278,405	1,386,487
TOTAL LIABILITIES	29,555,737	26,355,929
STOCKHOLDERS' DEFICIENCY		
Preferred stock, $0.001 par value, 9,980,000 authorized as at June 30, 2023 and March 31, 2023, 1 share issued and outstanding as at June 30, 2023 and March 31, 2023 *[Note 9]*	1	1
Series A preferred stock, $0.001 par value, 20,000 authorized as at June 30, 2023 and March 31, 2023, 6,304 preferred shares issued and outstanding as at June 30, 2023 and March 31, 2023 *[Note 9]*	6	6
Common stock, $0.001 par value, 125,000,000 authorized as at June 30, 2023 and March 31, 2023. Issued and outstanding common shares: 51,047,864 as at June 30, 2023 and March 31, 2023, and exchangeable shares of 1,466,718 outstanding at June 30, 2023 and March 31, 2023 *[Note 9]*	52,514	52,514
Shares to be issued, 23,723 shares of common stock as at June 30, 2023 and March 31, 2023 *[Note 9]*	24,999	24,999
Additional paid-in-capital	93,011,897	92,800,717
Accumulated other comprehensive loss	(328,627)	(152,797)
Accumulated deficit	(116,172,404)	(112,570,825)
TOTAL STOCKHOLDERS' DEFICIENCY	(23,411,614)	(19,845,385)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	6,144,123	6,510,544

Commitments and contingencies *[Note 11]*

Subsequent Events *[Note 13]*

See accompanying notes to unaudited condensed consolidated interim financial statements

BIOTRICITY INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED JUNE 30, 2023 AND 2022 (unaudited)
(Expressed in US Dollars)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022
	$	$
REVENUE	**3,020,765**	2,056,052
Cost of Revenue	**1,104,061**	830,923
GROSS PROFIT	**1,916,704**	1,225,129
OPERATING EXPENSES		
Selling, general and administrative expenses	**3,520,215**	4,492,615
Research and development expenses	**712,975**	821,176
TOTAL OPERATING EXPENSES	**4,233,190**	5,313,791
LOSS FROM OPERATIONS	**(2,316,486)**	(4,088,662)
Interest expense	**(660,512)**	(388,388)
Accretion and amortization expenses *[Note 5,6]*	**(557,219)**	(50,070)
Change in fair value of derivative liabilities *[Note 8]*	**101,452**	(198,224)
Gain (loss) upon convertible promissory notes conversion and redemption *[Note 9]*	**6,448**	(50,908)
Other income	**13,435**	—
NET LOSS BEFORE INCOME TAXES	**(3,412,882)**	(4,776,252)
Income taxes *[Note 3]*	—	—
NET LOSS BEFORE DIVIDENDS	**(3,412,882)**	(4,776,252)
Adjustment: Preferred Stock Dividends	**(188,697)**	(248,137)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	**(3,601,579)**	(5,024,389)
Translation adjustment	**(175,830)**	233,004
COMPREHENSIVE LOSS	**(3,777,409)**	(4,791,385)
LOSS PER SHARE, BASIC AND DILUTED	**(0.069)**	(0.098)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	**52,514,582**	51,440,944

See accompanying notes to unaudited condensed consolidated interim financial statements

BIOTRICITY INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIENCY
FOR THE THREE MONTHS ENDED JUNE 30, 2023 AND 2022 (unaudited)

	Preferred stock		Common stock and exchangeable common shares		Shares to be Issued		Additional paid in capital	Accumulated other comprehensive loss	Accumulated deficit	Total
	Shares	$	Shares	$	Shares	$	$	$	$	$
Balance, March 31, 2023 (audited)	6,305	7	52,514,582	52,514	23,723	24,999	92,800,717	(152,797)	(112,570,825)	(19,845,385)
Stock based compensation - ESOP [Note 9]	—	—	—	—	—	—	211,180	—	—	211,180
Translation adjustment	—	—	—	—	—	—	—	(175,830)	—	(175,830)
Net loss before dividends for the period	—	—	—	—	—	—	—	—	(3,412,882)	(3,412,882)
Preferred stock dividends	—	—	—	—	—	—	—	—	(188,697)	(188,697)
Balance, June 30, 2023 (unaudited)	6,305	7	52,514,582	52,514	23,723	24,999	93,011,897	(328,627)	(116,172,404)	(23,411,614)

	Preferred stock		Common stock and exchangeable common shares		Shares to be Issued		Additional paid in capital	Accumulated other comprehensive loss	Accumulated deficit	Total
	Shares	$	Shares	$	Shares	$	$	$	$	$
Balance, March 31, 2022 (audited)	**7,201**	**8**	**51,277,040**	**51,277**	**123,817**	**102,299**	**91,507,478**	**(768,656)**	**(93,037,142)**	**(2,144,736)**
Conversion of convertible notes into common shares [Note 9]	—	—	404,545	405	—	—	456,621	—	—	457,026
Preferred stock purchased back via cash [Note 8]	(329)	—	—	—	—	—	(285,427)	—	—	(285,427)
Issuance of shares for services [Note 9]	—	—	4,167	4	—	—	7,496	—	—	7,500
Exercise of warrants for cash [Note 9]	—	—	—	—	(28,302)	(30,000)	—	—	—	(30,000)
Issuance of warrants for services [Note 9]	—	—	—	—	—	—	77,414	—	—	77,414
Stock based compensation - ESOP [Note 9]	—	—	—	—	—	—	149,190	—	—	149,190
Translation adjustment	—	—	—	—	—	—	—	233,004	—	233,004
Net loss before dividends for the period	—	—	—	—	—	—	—	—	(4,776,252)	(4,776,252)
Preferred stock dividends	—	—	—	—	—	—	—	—	(248,137)	(248,137)
Balance, June 30, 2022 (unaudited)	**6,872**	**8**	**51,685,752**	**51,686**	**95,515**	**72,299**	**91,912,772**	**(535,652)**	**(98,061,531)**	**(6,560,418)**

See accompanying notes to unaudited condensed consolidated interim financial statements

BIOTRICITY INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JUNE 30, 2023 AND 2022 (UNAUDITED)
(Expressed in US Dollars)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(3,412,882)	(4,776,252)
Adjustments to reconcile net loss to net cash used in operations:		
Stock based compensation	211,180	149,190
Issuance of shares for services	—	7,500
Issuance of warrants for services	—	77,414
Accretion and amortization expenses	557,219	50,070
Change in fair value of derivative liabilities	(101,452)	198,224
(Gain) loss upon convertible promissory notes conversion and redemption	(6,448)	50,908
Property and equipment depreciation	1,489	1,489
Non-cash lease expense	87,801	47,547
Changes in operating assets and liabilities:		
Accounts receivable, net	(331,009)	179,758
Inventory	121,446	(588,130)
Deposits and other receivables	(32,333)	(4,312)
Accounts payable and accrued liabilities	1,072,871	567,200
Net cash used in operating activities	(1,832,118)	(4,039,394)
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of preferred shares	—	(328,904)
Exercise of warrants for cash	—	12,500
Proceeds from convertible notes, net	855,538	—
Repayment of short term loans and promissory notes, net	479,656	—
Preferred Stock Dividend	(6,049)	(516,817)
Net cash provided by (used in) financing activities	1,329,145	(833,221)
Net decrease in cash during the period	(502,973)	(4,872,615)
Effect of foreign currency translation	(16,054)	13,660
Cash, beginning of period	570,460	12,066,929
Cash, end of period	51,433	7,207,974
Supplemental disclosure of cash flow information:		
Interest paid	258,689	239,291
Taxes	—	—

See accompanying notes to unaudited condensed consolidated interim financial statements

1. NATURE OF OPERATIONS

Biotricity Inc. (the "Company") was incorporated under the laws of the State of Nevada on August 29, 2012. iMedical Innovations Inc. ("iMedical") was incorporated on July 3, 2014, under the laws of the Province of Ontario, Canada and became a wholly-owned subsidiary of Biotricity through reverse take-over on February 2, 2016.

Both the Company and iMedical are engaged in research and development activities within the remote monitoring segment of preventative care. They are focused on a realizable healthcare business model that has an existing market and commercialization pathway. As such, its efforts to date have been devoted to building and commercializing an ecosystem of technologies that enable access to this market.

2. BASIS OF PRESENTATION, MEASUREMENT AND CONSOLIDATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP") for interim financial information and the Securities and Exchange Commission ("SEC") instructions to Form 10-Q and Article 8 of SEC Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete consolidated financial statements and should be read in conjunction with Biotricity's audited consolidated financial statements for the years ended March 31, 2023 and 2022 and their accompanying notes.

The accompanying unaudited condensed consolidated financial statements are expressed in United States dollars ("USD"). In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of financial position and results of operations for the interim periods presented have been reflected herein. Operating results for the interim periods presented herein are not necessarily indicative of the results that may be expected for the year ending March 31, 2024. The Company's fiscal year-end is March 31.

The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. Significant intercompany accounts and transactions have been eliminated.

Reclassifications

Certain amounts presented in the prior year period have been reclassified to conform to current period condensed consolidated financial statement presentation. Interest expense related to debt principal, previously recorded as a selling, general and administrative expense in the condensed consolidated statements of operations and comprehensive loss in the prior year, was reclassified as a non-operating expense.

Going Concern, Liquidity and Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company is in the early stages of commercializing its first product and is concurrently in development mode, operating a research and development program in order to develop, obtain regulatory clearance for, and commercialize other proposed products. The Company has incurred recurring losses from operations, and as of June 30, 2023, had an accumulated deficit of $116,172,404 and a working capital deficiency of $10,696,865. Those conditions raise substantial doubt about its ability to continue as a going concern for a period of one year from the issuance of these condensed consolidated financial statements. The condensed consolidated financial statements do not include adjustments that might result from the outcome of this uncertainty.

Management anticipates the Company will continue on its revenue growth trajectory and improve its liquidity through continued business development and after additional equity or debt capitalization of the Company. On August 30, 2021, the Company completed an underwritten public offering of its common stock that concurrently facilitated its listing on the Nasdaq Capital Market. Prior to listing on the Nasdaq Capital Market, the Company had also filed a shelf Registration Statement on Form S-3 (No. 333-255544) with the Securities and Exchange Commission on April 27, 2021, which was declared effective on May 4, 2021. This facilitates better transactional preparedness when the Company seeks to issue equity or debt to potential investors, since it continues to allow the Company to offer its shares to investors only by means of a prospectus, including a prospectus supplement, which forms part of an effective registration statement. As such, the Company has developed and continues to pursue sources of funding that management believes will be sufficient to support the Company's operating plan and alleviate any substantial doubt as to its ability to meet its obligations at least for a period of one year from the date of these consolidated financial statements. During the fiscal year ended March 31, 2021, the Company closed a number of private placement offerings of convertible notes, which raised net cash proceeds of $11,375,690. During fiscal year ended March 31, 2022, the Company raised an additional $499,900 through government EIDL loan., The Company also raised total net proceeds of $14,545,805 through the underwritten public offering that was concurrent with its listing onto the Nasdaq Capital Markets. The Company raised additional net proceeds of $11,756,563 through a term loan transaction (Note 6) and made repayment of the previously issued promissory notes and short-term loans. In connection with this loan, the Company and Lender entered into a Guarantee and Collateral Agreement, as well as an Intellectual Property Security Agreement, wherein the Company agreed to secure the Credit Agreement with all of the Company's assets, as well as secured by the Company's right title and interest in the Company's Intellectual Property. During the fiscal year ended March 31, 2023, the Company raised short-term loans and promissory notes, net of repayments of $1,476,121 from various lenders, and also raised convertible notes, net of redemptions of $2,355,318 from various lenders. During the three months ended June 30, 2023, the Company raised additional convertible notes, net of redemptions of $855,538 from various lenders. The Company also raised additional short-term loans and promissory notes, net of repayments of $479,656 from various lenders.

As we proceed with the commercialization of the Bioflux, Biotres, and Biocare product development, we expect to continue to devote significant resources on capital expenditures, as well as research and development costs and operations, marketing and sales expenditures.

Based on the above facts and assumptions, we believe our existing cash, along with anticipated near-term financings, will be sufficient to continue to meet our needs for the next twelve months from the filing date of this report. However, we will need to seek additional debt or equity capital to respond to business opportunities and challenges, including our ongoing operating expenses, protecting our intellectual property, developing or acquiring new lines of business and enhancing our operating infrastructure. The terms of our future financings may be dilutive to, or otherwise adversely affect, holders of our common stock. We may also seek additional funds through arrangements with collaborators or other third parties. There can be no assurance we will be able to raise this additional capital on acceptable terms, or at all. If we are unable to obtain additional funding on a timely basis, we may be required to modify our operating plan and otherwise curtail or slow the pace of development and commercialization of our proposed product lines.

In December 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China and spread globally, causing significant disruption to the global and US economy. On March 20, 2020, the Company announced the precautionary measures taken as well as announcing the business impact related to the coronavirus (COVID-19) pandemic. Though its operations have since returned to a normal state, the extent to which the COVID-19 pandemic may continue to affect the economy and the Company's operations may depend on future developments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

The Company adopted Accounting Standards Codification Topic 606, "*Revenue from Contracts with Customers*" ("ASC 606") on April 1, 2018. In accordance with ASC 606, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services by applying the core principles – (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to performance obligations in the contract, and (5) recognize revenue as performance obligations are satisfied.

(Expressed in US dollars)

Both the Bioflux mobile cardiac telemetry device, and the Biotres device are wearable devices. The cardiac data that the devices monitor and collect is curated and analyzed by the Company's proprietary algorithms and then securely communicated to a remote monitoring facility for electronic reporting and conveyance to the patient's prescribing physician or other certified cardiac medical professional. Revenues earned are comprised of device sales revenues and technology fee revenues (technology as a service). The devices, together with their licensed software, are available for sale to the medical center or physician, who is responsible for the delivery of clinical diagnosis and therapy. The remote monitoring, data collection and reporting services performed by the technology culminate in a patient study that is generally billable when it is complete and is issued to the physician. In order to recognize revenue, management considers whether or not the following criteria are met: persuasive evidence of a commercial arrangement exists, and delivery has occurred or services have been rendered. For sales of devices, which are invoiced directly, additional revenue recognition criteria include that the price is fixed and determinable and collectability is reasonably assured; for device sales contracts with terms of more than one year, the Company recognizes any significant financing component as revenue over the contractual period using the effective interest method, and the associated interest income is reflected accordingly on the statement of operations and included in other income; for revenue that is earned based on customer usage of the proprietary software to render a patient's cardiac study, the Company recognizes revenue when the study ends based on a fixed billing rate. Costs associated with providing the services are recorded as the service is provided regardless of whether or when revenue is recognized.

The Company may also earn service-related revenue from contracts with other counterparties with which it consults. This contract work is separate and distinct from services provided to clinical customers, but may be with a reseller or other counterparties that are working to establish their operations in foreign jurisdictions or ancillary products or market segments in which the Company has expertise and may eventually conduct business.

The Company recognized the following forms of revenue for the three months ending June 30, 2023 and 2022:

	2023	**2022**
	$	**$**
Technology fees	2,768,918	1,889,982
Device sales	251,847	166,070
	3,020,765	2,056,052

Inventories

Inventory is stated at the lower of cost and market value, cost being determined on a weighted average cost basis. Market value of our finished goods inventory and raw material inventory is determined based on its estimated net realizable value, which is generally the selling price less normally predictable costs of disposal and transportation. The Company records write-downs of inventory that is obsolete or in excess of anticipated demand or market value based on consideration of product lifecycle stage, technology trends, product development plans and assumptions about future demand and market conditions. Actual demand may differ from forecasted demand, and such differences may have a material effect on recorded inventory values. Inventory write-downs are charged to cost of revenue and establish a new cost basis for the inventory.

	June 30, 2023	**March 31, 2023**
	$	**$**
Raw material	1,176,941	1,186,735
Finished goods	1,038,619	1,150,271
	2,215,560	2,337,006

Significant accounting estimates and assumptions

The preparation of the condensed consolidated financial statements requires the use of estimates and assumptions to be made in applying the accounting policies that affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities. The estimates and related assumptions are based on previous experiences and other factors considered reasonable under the circumstances, the results of which form the basis for making the assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources.

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 the revision and future periods if the revision affects both current and future periods.

Significant accounts that require estimates as the basis for determining the stated amounts include share-based compensation, impairment analysis and fair value of warrants, promissory notes, convertible notes and derivative liabilities.

- Fair value of stock options

  The Company measures the cost of equity-settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of such instruments, which is dependent on the terms and conditions of the grant. The estimate also requires determining the most appropriate inputs to the Black-Scholes option pricing model, including the expected life of the instrument, risk-free rate, volatility, and dividend yield.

- Fair value of warrants

  In determining the fair value of the warrant issued for services and issue pursuant to financing transactions, the Company used the Black-Scholes option pricing model with the following assumptions: volatility rate, risk-free rate, and the remaining expected life of the warrants that are classified under equity.

- Fair value of derivative liabilities

  In determining the fair values of the derivative liabilities from the conversion and redemption features, the Company used Monte-Carlo and lattice models with the following assumptions: dividend yields, volatility, risk-free rate and the remaining expected life. Changes in those assumptions and inputs could in turn impact the fair value of the derivative liabilities and can have a material impact on the reported loss and comprehensive loss for the applicable reporting period.

- Functional currency

  Determining the appropriate functional currencies for entities in the Company requires analysis of various factors, including the currencies and country-specific factors that mainly influence labor, materials, and other operating expenses.

- Useful life of property and equipment

  The Company employs significant estimates to determine the estimated useful lives of property and equipment, considering industry trends such as technological advancements, past experience, expected use and review of asset useful lives. The Company makes estimates when determining depreciation methods, depreciation rates and asset useful lives, which requires considering industry trends and company-specific factors. The Company reviews depreciation methods, useful lives and residual values annually or when circumstances change and adjusts its depreciation methods and assumptions prospectively.

- Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a previous event, if it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the obligation. The amount recognized is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligations. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate of the expected future cash flows.

- Contingencies

Contingencies can be either possible assets or possible liabilities arising from past events, which, by their nature, will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential impact of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

- Inventory obsolescence

Inventories are stated at the lower of cost and market value. Market value of our inventory, which is all purchased finished goods, is determined based on its estimated net realizable value, which is generally the selling price less normally predictable costs of disposal and transportation. The Company estimates net realizable value as the amount at which inventories are expected to be sold, taking into consideration fluctuations in retail prices less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, or declining selling prices.

- Income and other taxes

The calculation of current and deferred income taxes requires the Company to make estimates and assumptions and to exercise judgment regarding the carrying values of assets and liabilities which are subject to accounting estimates inherent in those balances, the interpretation of income tax legislation across various jurisdictions, expectations about future operating results, the timing of reversal of temporary differences and possible audits of income tax filings by the tax authorities. In addition, when the Company incurs losses for income tax purposes, it assesses the probability of taxable income being available in the future based on its budgeted forecasts. These forecasts are adjusted to take into account certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses.

When the forecasts indicate that sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences. Changes or differences in underlying estimates or assumptions may result in changes to the current or deferred income tax balances on the consolidated balance sheets, a charge or credit to income tax expense included as part of net income (loss) and may result in cash payments or receipts. Judgment includes consideration of the Company's future cash requirements in its tax jurisdictions. All income, capital and commodity tax filings are subject to audits and reassessments. Changes in interpretations or judgments may result in a change in the Company's income, capital, or commodity tax provisions in the future. The amount of such a change cannot be reasonably estimated.

- Incremental borrowing rate for lease

The determination of the Company's lease obligation and right-of-use asset depends on certain assumptions, which include the selection of the discount rate. The discount rate is set by reference to the Company's incremental borrowing rate. Significant assumptions are required to be made when determining which borrowing rates to apply in this determination. Changes in the assumptions used may have a significant effect on the Company's consolidated financial statements.

Earnings (Loss) Per Share

The Company has adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 260-10 which provides for calculation of "basic" and "diluted" earnings per share. Basic loss per share of common stock is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted earnings or loss per share of common stock is computed similarly to basic earnings or loss per share except the weighted average shares outstanding are increased to include additional shares from the assumed exercise of any common stock equivalents, if dilutive. The Company's warrants, options, convertible promissory notes, convertible preferred stock, shares to be issued and restricted stock awards while outstanding are considered common stock equivalents for this purpose. Diluted earnings is computed utilizing the treasury method for the warrants, stock options, shares to be issued and restricted stock awards. Diluted earnings with respect to the convertible promissory notes and convertible preferred stock utilizing the if-converted method was not applicable during the periods presented as no conditions required for conversion had occurred. No incremental common stock equivalents were included in calculating diluted loss per share because such inclusion would be anti-dilutive given the net loss reported for the periods presented.

Cash

Cash includes cash on hand and balances with banks.

Foreign Currency Translation

The functional currency of the Company's Canadian-based subsidiary is the Canadian dollar and the US-based parent is the U.S. dollar. Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the consolidated balance sheet date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All exchange gains or losses arising from translation of these foreign currency transactions are included in net income (loss) for the year. In translating the financial statements of the Company's Canadian subsidiaries from their functional currency into the Company's reporting currency of United States dollars, consolidated balance sheet accounts are translated using the closing exchange rate in effect at the balance sheet date and income and expense accounts are translated using an average exchange rate prevailing during the reporting period. Adjustments resulting from the translation, if any, are included in accumulated other comprehensive loss in stockholders' deficiency. The Company has not, to the date of these consolidated financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

Accounts Receivable

Accounts receivable consists of amounts due to the Company from medical facilities, which receive reimbursement from institutions and third-party government and commercial payors and their related patients, as a result of the Company's normal business activities. Accounts receivable is reported on the consolidated balance sheets net of an estimated allowance for doubtful accounts. The Company establishes an allowance for doubtful accounts for estimated uncollectible receivables based on historical experience, assessment of specific risk, review of outstanding invoices, and various assumptions and estimates that are believed to be reasonable under the circumstances, and recognizes the provision as a component of selling, general and administrative expenses. Uncollectible accounts are written off against the allowance after appropriate collection efforts have been exhausted and when it is deemed that a balance is uncollectible.

(Expressed in US dollars)

Fair Value of Financial Instruments

ASC 820 defines fair value, establishes a framework for measuring fair value and expands required disclosure about fair value measurements of assets and liabilities. ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820-10 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

● Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities.

● Level 2 – Valuation based on quoted market prices for similar assets and liabilities in active markets.

● Level 3 – Valuation based on unobservable inputs that are supported by little or no market activity, therefore requiring management's best estimate of what market participants would use as fair value.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values due to the short-term nature of these instruments or interest rates that are comparable to market rates. These financial instruments include cash, accounts receivable, deposits and other receivables, convertible promissory notes and short term loans, federally-guaranteed loans, term loans, accounts payable and accrued liabilities. The Company's derivative liabilities are carried at fair values and are classified as Level 3 financial instruments. The Company's bank accounts are maintained with financial institutions of reputable credit, therefore, bear minimal credit risk.

The fair value of financial instruments measured on a recurring basis is as follows:

	As of June 30, 2023			
Description	Total	Level 1	Level 2	Level 3
Liabilities:				
Derivative liabilities, short-term	$ 1,984,781	$ —	$ —	$ 1,984,781
Derivative liabilities, long-term	679,238	—	—	679,238
Total liabilities at fair value	$ 2,664,019	$ —	$ —	$ 2,664,019

	As of March 31, 2023			
Description	Total	Level 1	Level 2	Level 3
Liabilities:				
Derivative liabilities, short-term	$ 1,008,216	$ —	$ —	$ 1,008,216
Derivative liabilities, long-term	759,065	—	—	759,065
Total liabilities at fair value	$ 1,767,281	$ —	$ —	$ 1,767,281

There were no transfers between fair value hierarchy levels during the three months ended June 30, 2023 and 2022.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred, and improvements and betterments are capitalized. Depreciation of property and equipment is provided using the straight-line method for substantially all assets with estimated lives as follow:

Office equipment	5 years
Leasehold improvement	5 years

Impairment for Long-Lived Assets

The Company applies the provisions of ASC Topic 360, *Property, Plant, and Equipment*, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. ASC 360 requires impairment losses to be recorded on long-lived assets, including right-of-use assets, used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair values are reduced for the cost of disposal. Based on its review at June 30, 2023 and March 31, 2023, the Company believes there was no impairment of its long-lived assets.

Leases

The Company is the lessee in a lease contract when the Company obtains the right to use the asset. Operating leases are included in the line items right-of-use asset, lease liabilities, current, and lease liabilities, long-term in the consolidated balance sheet.

Right-of-use ("ROU") asset represents the Company's right to use an underlying asset for the lease term and lease obligations represent the Company's obligations to make lease payments arising from the lease, both of which are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. Leases with a lease term of 12 months or less at inception are not recorded on the consolidated balance sheets and are expensed on a straight-line basis over the lease term in the consolidated statements of operations and comprehensive loss. The Company determines the lease term by agreement with lessor. As the Company's lease does not provide implicit interest rate, the Company uses the Company's incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. Refer to Note 10 for further discussion.

Income Taxes

The Company accounts for income taxes in accordance with ASC 740. The Company provides for Federal, State and Provincial income taxes payable, as well as for those deferred because of the timing differences between reporting income and expenses for consolidated financial statement purposes versus tax purposes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recoverable or settled. The effect of a change in tax rates is recognized as income or expense in the period of the change. A valuation allowance is established, when necessary, to reduce deferred income tax assets to the amount that is more likely than not to be realized.

Research and Development

Research and development costs, which relate primarily to product and software development, are charged to operations as incurred. Under certain research and development arrangements with third parties, the Company may be required to make payments that are contingent on the achievement of specific developmental, regulatory and/or commercial milestones. Before a product receives regulatory approval, milestone payments made to third parties are expensed when the milestone is achieved. Milestone payments made to third parties after regulatory approval is received are capitalized and amortized over the estimated useful life of the approved product.

Selling, General and Administrative

Selling, general and administrative expenses consist primarily of personnel-related costs including stock-based compensation for personnel in functions not directly associated with research and development activities. Other significant costs include sales and marketing costs, investor relation and legal costs relating to corporate matters, professional fees for consultants assisting with business development and financial matters, and office and administrative expenses.

Stock Based Compensation

The Company accounts for share-based payments in accordance with the provision of ASC 718, which requires that all share-based payments issued to acquire goods or services, including grants of employee stock options, be recognized in the consolidated statements of operations and comprehensive loss based on their fair values, net of estimated forfeitures. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Compensation expense related to share-based awards is recognized over the requisite service period, which is generally the vesting period.

The Company accounts for stock based compensation awards issued to non-employees for services, as prescribed by ASC 718-10, at either the fair value of the services rendered or the instruments issued in exchange for such services, whichever is more readily determinable, using the guidelines in ASC 505-50. The Company issues compensatory shares for services including, but not limited to, executive, management, accounting, operations, corporate communication, financial and administrative consulting services.

Convertible Notes Payable and Derivative Instruments

The Company has adopted the provisions of ASU 2017-11 to account for the down round features of warrants issued with private placements effective as of April 1, 2017. In doing so, warrants with a down round feature previously treated as derivative liabilities in the consolidated balance sheet and measured at fair value are henceforth treated as equity, with no adjustment for changes in fair value at each reporting period. Previously, the Company accounted for conversion options embedded in convertible notes in accordance with ASC 815. ASC 815 generally requires companies to bifurcate conversion options embedded in convertible notes from their host instruments and to account for them as free-standing derivative financial instruments. ASC 815 provides for an exception to this rule when convertible notes, as host instruments, are deemed to be conventional, as defined by ASC 815-40. The Company accounts for convertible notes deemed conventional and conversion options embedded in non-conventional convertible notes which qualify as equity under ASC 815, in accordance with the provisions of ASC 470-20, which provides guidance on accounting for convertible securities with beneficial conversion features. Accordingly, the Company records, as a discount to convertible notes, the intrinsic value of such conversion options based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt.

Preferred Shares Extinguishments

The Company accounted for preferred stock redemptions and conversions in accordance to ASU-260-10-S99. For preferred stock redemptions and conversion, the difference between the fair value of consideration transferred to the holders of the preferred stock and the carrying amount of the preferred stock is accounted as deemed dividend distribution and subtracted from net loss.

(Expressed in US dollars)

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments." This pronouncement, along with subsequent ASUs issued to clarify provisions of ASU 2016-13, changes the impairment model for most financial assets and will require the use of an "expected loss" model for instruments measured at amortized cost. Under this model, entities will be required to estimate the lifetime expected credit loss on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. In developing the estimate for lifetime expected credit loss, entities must incorporate historical experience, current conditions, and reasonable and supportable forecasts. This pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019. On November 19, 2019, the FASB issued ASU No. 2019-10, Financial Instruments—Credit Losses (Topic 326), finalized various effective date delays for private companies, not-for-profit organizations, and certain smaller reporting companies applying the credit losses (CECL), the revised effective for fiscal years beginning after December 15, 2022. The Company adopted this guidance on April 1, 2023 and it did not have a significant impact on the Company's consolidated financial statements.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at June 30, 2023	As at March 31, 2023
	$	$
Trade and other payables	4,173,567	3,435,123
Accrued liabilities	2,389,528	1,607,353
Total	6,563,095	5,042,476

Trade and other payables and accrued liabilities as at June 30, 2023 and March 31, 2023 included $490,964 and $446,771, respectively, due to a shareholder, who is a director and executive of the Company.

5. CONVERTIBLE PROMISSORY NOTES AND SHORT TERM LOANS

Series A Convertible Promissory Notes:

During the year ended March 31, 2021, the Company issued $11,275,500 (face value) in two series of convertible promissory notes (the "Series A Notes") sold under subscription agreements to accredited investors. The Notes mature one year from the final closing date of the offering and accrue interest at 12% per annum.

For first series of Series A Notes, commencing six months following the Issuance Date, and at any time thereafter (provided the Holder has not received notice of the Company's intent to prepay the note), at the sole election of the Holder, any amount of the outstanding principal and accrued interest of this note (the "Outstanding Balance") could be converted into that number of shares of Common Stock equal to: (i) the Outstanding Balance divided by (ii) 75% of the volume weighted average price of the Common Stock for the 5 trading days prior to the Conversion Date (the conversion price).

For the first series of Series A Notes, the notes would automatically convert into common stock (in each case, subject to the trading volume of the Company's common stock being a minimum of $500,000 for each trading day in the 20 consecutive trading days immediately preceding the conversion date), upon the earlier to occur of (i) the Company's common stock being listed on a national securities exchange, in which event the conversion price would be equal to 75% of the volume weighted average price of the common stock for the 20 trading days prior to the conversion date, or (ii) upon the closing of the Company's next equity round of financing for gross proceeds of greater than $5,000,000, in which event the conversion price would be equal to 75% of the price per share of the common stock (or of the conversion price in the event of the sale of securities convertible into common stock) sold in such financing. The Company could, at its discretion redeem the notes for 115% of their face value plus accrued interest.

For second series of Series A Notes, the notes could be converted into shares of common stock, at the option of the holder, commencing six months from issuance, at a conversion price equal to the lower of $4.00 per share or 75% of the volume weighted average price of the common stock for the five trading days prior to the conversion date

For the second series of Series A Notes, the notes would automatically convert into common stock (in each case, subject to the trading volume of the Company's common stock being a minimum of $500,000 for each trading day in the 20 consecutive trading days immediately preceding the conversion date), upon the earlier to occur of (i) the Company's common stock being listed on a national securities exchange, in which event the conversion price would be equal to the lower of $4.00 per share or 75% of the volume weighted average price of the common stock for the 20 trading days prior to the conversion date, or (ii) upon the closing of the Company's next equity round of financing for gross proceeds of greater than $5,000,000, in which event the conversion price would be equal to the lower of $4.00 per share or 75% of the price per share of the common stock (or of the conversion price in the event of the sale of securities convertible into common stock) sold in such financing. The Company could, at its discretion redeem the notes for 115% of their face value plus accrued interest.

The Company was obligated to issue warrants that accompany the convertible notes and provide 50% warrant coverage. The warrants have a 3-year term from date of issuance and an exercise price that is 120% of the 20-day volume weighted average price of the Company's common shares at the time final closing.

The Company was obligated to pay the placement agent of the first series of Series A Notes a 12% cash fee for $8,925,500 (face value) of the notes and 2.5% cash fee and other sundry expenses for the remaining $2,350,000 (face value) of the notes.

The Company was also obligated to issue warrants to the placement agent that have a 10-year term and cover 12% of funds raised for $8,925,550 (face value) of the notes (first series) and 2.5% of funds raised for the remaining $2,350,000 (face value) of notes (second series), with an exercise price that is 120% of the 20-day volume weighted average price of the Company's common shares at the time final closing. On final closing, which occurred on January 8, 2021, the warrants' exercise price was struck at $1.06 per share.

Prior to January 8, 2021 (final closing date), the Company determined that the conversion and redemption features contained in those Notes represented a single compound derivative liability that meets the requirements for liability classification under ASC 815. The Company accounted for these obligations by determining the fair value of the related derivative liabilities associated with the embedded conversion and redemption features.

For the Series A Notes, The Company recognized debt issuance costs in the amount of $2,301,854 and treated these as a deduction from the convertible note liabilities directly, as a contra-liability, and amortized the debt issuance cost over the term of the Notes. The Company also recognized initial debt discount in the amount of $8,088,003 and accreted the interest over the remaining lives of those Notes. The debt issuance costs were fully amortized by March 31, 2022.

On December 30, 2022, the Company exchanged $500,000 of Series A Notes along with its outstanding interest accrual of $121,500 into a new convertible note with the same note holder. The new convertible note has principal of $621,500, stated interest rate of 12% per annum, as well as option to convert outstanding principal and accrued interest at the conversion price, calculated at 75% multiplied by the average of the three lowest closing prices during the previous ten trading days prior to the receipt of the conversion notice. The new convertible note matures on December 30, 2023.

During three months ended June 30, 2023, the Company recognized discount amortization of $15,836 as accretion and amortization expense. As of June 30, 2023, the remaining unamortized discount on Series A convertible notes was $33,557.

During three months ended June 30, 2023, the Company recognized interest expense of $24,577 on Series A convertible notes. As of June 30, 2023, the Company recorded $99,489 of interest accruals for the Series A Notes.

Series B Convertible Notes

In addition, during the year ended March 31, 2021, the Company also issued $1,312,500 (face value) of convertible promissory notes ("Series B Notes") to various accredited investors.

Commencing six months following the issuance date, and at any time thereafter, subject to the Company's Conversion Buyout clause, at the sole election of the holder, any amount of the outstanding principal and accrued interest of the note (the "outstanding balance") could be converted into that number of shares of Common Stock equal to: (i) the outstanding balance divided by (ii) the Conversion Price. Partial conversions of the note shall have the effect of lowering the outstanding principal amount of the note. The holder may exercise such conversion right by providing written notice to the Company of such exercise in a form reasonably acceptable to the Company (a "conversion notice"). Conversion price means (subject in all cases to proportionate adjustment for stock splits, stock dividends, and similar transactions), seventy-five percent (75%) multiplied by the average of the three (3) lowest closing prices during the previous ten (10) trading days prior to the receipt of the conversion notice.

The Series B Notes will automatically convert into common stock upon a merger, consolidation, exchange of shares, recapitalization, reorganization, as a result of which the Company's common stock shall be changed into another class or classes of stock of the Company or another entity, or in the case of the sale of all or substantially all of the assets of the Company other than a complete liquidation of the Company. Within the first 180 days after the issuance date, the Company may, at its discretion redeem the notes for 115% of their face value plus accrued interest. The Company is obligated to issue warrants that accompany the convertible notes and provide 50% warrant coverage. The warrants have a 3-year term from date of issuance and an exercise price that is $1.06 per share for 100,000 warrant shares and $1.5 per share for 212,500 warrant shares.

Net proceeds to the Company from convertible note issuances to March 31, 2021 amounted to $1,240,000 after the original issuance discount as well as payment of the financing related fees. The Company determined that the conversion and redemption features contained in the Series B Notes represented a single compound derivative liability that meets the requirements for liability classification under ASC 815. The Company accounted for these obligations by determining the fair value of the related derivative liability associated with the embedded conversion and redemption features.

The Company recognized debt issuance costs in the amount of $10,000 and treated these as a deduction from the convertible note liabilities directly, as a contra-liability, and amortized the debt issuance cost over the term of the Series B Notes. The Company recognized initial debt discount in the amount of $1,312,500 and accreted the interest over the remaining lives of those notes. The debt issuance costs were fully amortized by March 31, 2022.

During the three months ended June 30, 2023, the Company recognized $1,669 of interest expense on Series B Notes. As of June 30, 2023, the Company recorded accrued interest in the amount of $86,532 related to the Series B Notes.

During the three months ended June 30, 2023, the Company redeemed $50,327 of Series B notes, through a cash payment of $60,392, a gain on redemption of $6,448 was recognized as a result of this redemption, representing the difference between the cash payment and the face value ($50,327) of Series B notes redeemed net of the related derivative liabilities ($16,513).

In total, as at June 30, 2023,the Company had $200,000 and $107,393 for Series A and Series B notes remained outstanding beyond their contractual maturity date. These continued to accrue interest, and no repayment demand notification was received from noteholders, notwithstanding the fact that these noteholders have continued to convert portions of these notes subsequently; and it is management's expectation that all of these notes will eventually convert. In connection with the foregoing, the Company relied upon the exemption from registration provided by Section 4(a)(2) under the Securities Act of 1933, as amended, for transactions not involving a public offering.

Series C Convertible Notes

During the three months ended June 30, 2023, the Company issued $1,017,700 (face value) in convertible promissory notes (the "Series C Notes"), in addition to $590,000 (face value) of such convertible promissory notes issued during the three months ended March 31, 2023. In total, $1,607,700 (face value) of Series C Notes were issued up to June 30, 2023.

The Series C Notes were sold under subscription agreements to accredited investors. The Notes mature one year from the final closing date of the offering and accrue interest at 15% per annum.

For Series C Notes, commencing six months following the Issuance Date, and at any time thereafter, at the sole election of the Holder, any amount of the outstanding principal and accrued interest of this note (the "Conversion Amount") could be converted into that number of shares of Common Stock equal to: the Conversion Amount divided by the "Optional Conversion Price", which is defined as lower of (i) seventy-five percent (75%) of the VWAP for the five (5) Trading Days prior to the Conversion Date, or (ii) eighty percent (80%) of the gross sale price per share of Common Stock (or conversion or exercise price per share of Common Stock of any Common Stock Equivalents) sold in a Qualified Financing.

For Series C Notes, "Mandatory Conversion" of the notes would convert into common stock at the applicable "Mandatory Conversion Price", if either (i) on each of any twenty (20) consecutive Trading Days (the "Measurement Period") (A) the closing price of the Common Stock on the applicable Trading Market is at least $3.00 per share and (B) the dollar value of average daily trades of the Common Stock on the applicable Trading Market is at least $400,000 per Trading Day; or (ii) upon the closing of a Qualified Financing, provided that the dollar value of average daily trades of the Common Stock on the applicable National Exchange on each of the ten (10) consecutive Trading Days following such closing is at least $400,000 per Trading Day. Mandatory Conversion Price means, in the case of a Mandatory Conversion under situation (i) above, seventy percent (70%) of the VWAP over the Measurement Period, or in the case of a Mandatory Conversion under situation (ii) above, eighty percent (80%) of the gross sale price per share of Common Stock (or conversion or exercise price per share of Common Stock of any Common Stock Equivalents) sold in a Qualified Financing.

The Company was obligated to issue warrants that accompany the convertible notes and provide 100% warrant coverage. The warrants have a 4-year term from date of issuance and an exercise price that is 200% of the 5-day volume weighted average price of the Company's common shares at the time final closing.

The Company was obligated to pay the placement agent of the first series of Series C Notes a 10% cash fee for the face value of the notes.

The Company was also obligated to issue warrants to the placement agent that have a 10-year term and cover 8% of face value of the notes, with an exercise price that equals to the 5-day volume weighted average price of the Company's common shares at the time final closing.

As of June 30, 2023, the Company has not issued the investor warrants and placement agent warrants related to the Series C Notes. These warrants will be issued upon the final closing date of the Series C Notes.

Net proceeds to the Company from Series C Notes issuance during the three months ended June 30, 2023 amounted to $915,930 after payment of the relevant financing related fees.

Prior to the final closing date, the Company determined that the conversion features contained in those Note, as well as the obligations to issue investor warrants and placement agent warrants represented a single compound derivative liability that meets the requirements for liability classification under ASC 815. The Company accounted for these obligations by determining the fair value of the related derivative liabilities associated with the embedded conversion features, as well as the obligations related to investor warrant and placement agent warrant issuance.

For the Series C Notes, the Company recognized debt issuance costs of $171,999 during the three months ended June 30, 2023 and treated these as debt discounts. The Company also recognized additional debt discount in the amount of $837,294 in connection with the recognition of derivative liabilities for the conversion features, investor warrants and placement agent warrants. The debt discounts are recorded as a contra liability against the convertible note, and are amortized and recognized as accretion expenses using the effective interest method over the remaining lives of the Notes. Since total debt discount amount cannot exceed total gross proceeds upon issuance, the Company recognized accretion expenses of $107,180 up front.

During the three months ended June 30, 2023, the Company recognized interest expense of $46,523 on Series C Notes. As of June 30, 2023, the Company recorded accrued interest in the amount of $49,121 related to the Series C Notes.

During the three months ended June 30, 2023, the Company recognized discount amortization of $85,683 on Series C Notes as accretion and amortization expense. As of June 30, 2023, the remaining unamortized discount on Series C convertible notes was $1,502,199.

Other Convertible Notes

On January 23, 2023, the Company issued $2,000,000 (face value) in convertible promissory notes (the "Other Convertible Notes") to an accredited investor. The Notes mature 18 months from the issuance date. This note bears interest rate at a fixed rate of 10% in the form of stock with a striker price equal to the closing stock price on the note issuance date. Therefore, the Company issued 270,270 units of common stock in lieu of interest on this convertible note. These stocks were valued at $221,621 and was recognized as a deferred cost on the convertible note, recorded as a contra liability against the convertible note, and was amortized and recognized as accretion expense using the effective interest rate method over the remaining lives of the Other Convertible Notes.

The conversion of the Other Convertible Notes is automatic upon a Qualified Financing which is in the control of the Company, or at maturity of the notes, upon mutual agreement by the note holder and the Company. Since the conversion is not in control of the holder of the note, the Company did not recognize a derivative liability in connection with the conversion option of the Other Convertible Notes.

During the three months ended June 30, 2023, the Company recognized discount amortization of $55,254 for the Other Convertible Notes, as part of the accretion and amortization expenses. As of June 30, 2023, the remaining unamortized discount on Other Convertible Notes was $131,150.

Other Short-term loans, Promissory Notes and Financing Facilities

In December 2022, the Company entered into a short-term bridge loan agreement with a collateralized merchant finance company that advanced gross proceeds of $400,000, prior to the deduction of issuance costs in the amount of $9,999. The issuance costs were recognized as a debt discount and amortized via the effective interest method. The term of the finance agreement is 40 weeks. The Company is required to make weekly payments of $13,995 ($560,000 in the aggregate). As of June 30, 2023, the amount of principal outstanding was $143,498. The remaining unamortized issuance cost discount was $2,893. The discount amortization during the three months ended June 30, 2023 was $3,250, and was recognized as part of the accretion and amortization expenses.

In December 2022, the Company also entered into a short term collateralized bridge loan agreement with a finance company that advanced gross proceeds of $800,000, prior to the deduction of issuance costs in the amount of $32,000. The issuance costs were recognized as a debt discount and amortized via the effective interest method. The term of this second agreement is 40 weeks. The Company is required to make weekly payments of $29,556 ($13,999 for the first four weeks, and $1,120,000 in the aggregate). As of June 30, 2023, the amount of principal outstanding under this agreement was $366,662 and the remaining unamortized issuance cost discount was $11,200. The discount amortization during the three months ended June 30, 2023 was $9,600, which was recognized as part of the accretion and amortization expenses. the Company recognized The Company has an option to repay the loan earlier and receive a discount on total repayment. The total repayment amount becomes $920,000 if repaid within 30 days, $944,000 if repaid within 60 days, $968,000 if repaid within 90 days, $1,000,000 if repaid within 120 days, and $1,088,000 if repaid within 150 days.

In December 2022, the Company entered into a promissory note agreement with an individual investor that resulted in gross proceeds of $600,000 (the "Principal Amount"). The note has a fixed rate of interest at 25% per annum payable monthly on the first day of every month. This promissory note matures on December 15, 2023, when the Principal Amount is due. The note has various default provisions which would, if triggered, result in the acceleration of the Principal Amount plus any accrued and unpaid interest. The note also has a 3% early payment penalty provision. As of June 30, 2023, the amount of principal outstanding on the note was $600,000, and accrued interest outstanding on the note was $12,209. The interest expense on this promissory note during the three months ended June 30, 2023 was $37,500.

On December 30, 2022, the Company extinguished 306,604 warrants that were originally issued to Series A Convertible Note holders, and replaced these warrants with a new promissory note issued to the same warrant holder. The new promissory note has principal balance of $270,000, stated interest of zero, and maturity date of December 31, 2023. The fair value of this new promissory note was $248,479 as of the issuance date, which was calculated using a discount rate that was comparable to other loan issuance at the same time as well as the market bond rates at the time of the promissory note issuance. The difference between the fair value of the new note and its principal balance was $21,521, and was recognized as a discount, and amortized via effective interest rate method. The Company compared the fair value of the extinguished warrants immediately prior to extinguishment against the fair value of the new promissory note issued. As of June 30, 2023, the obligation to repay the principal balance was waived and amount of principal outstanding on the note was $270,000, and the remaining unamortized discount was $Nil. During the three months ended June 30, 2023, the Company recognized $7,304 amortization of discount on this promissory note as accretion and amortization expenses.

On March 29, 2023, the Company entered into an additional collateralized bridge loan agreement with a finance company that advanced gross proceeds of $300,000, prior to the deduction of issuance costs in the amount of $12,000. The issuance costs were recognized as a debt discount and would be amortized via the effective interest method. The term of this agreement is 40 weeks. The Company is required to make weekly payments of $5,250 for the first four weeks, and $11,083 for the remaining 36 weeks, which is $420,000 in aggregate. As of June 30, 2023, the amount of principal outstanding under this agreement was $246,773 and the remaining unamortized issuance cost discount was $8,400. During the three months ended June 30, 2023, the Company recognized $3,600 of amortization of discount as accretion and amortization expenses. The Company has an option to repay the loan earlier and receive a discount on total repayment. The total repayment amount becomes $345,000 if repaid within 30 days, $354,000 if repaid within 60 days, $363,000 if repaid within 90 days and $375,000 if repaid within 120 days.

During the three months ended June 30, 2023, the Company received and repaid various short-term promissory notes from individual lenders. As at June 30, 2023, the Company had outstanding principal of $104,710 from such borrowing. The Company plans to repay this outstanding balance within the next fiscal quarter. During the three months ended June 30, 2023, the Company incurred interest expense on such borrowing in the amount of $3,784.

In June 2023, the Company entered into a secured revolving account purchase credit and inventory financing facility (the "Revolving Facility") with a revolving loan lender, pursuant to which the lender may from time to time purchase certain discrete account receivables from the Company (with full recourse) or may make loans and provide other financial accommodations, the payment of which are guaranteed and secured by certain assets of the Company. In assigning the selling accounts receivables to the revolving loan lender, the Company is receiving 85% of their value as an advance of its regular collection of those receivables, limited to $1.2 million in financing, and expects to receive the remaining balance as part of normal collection activities. The inventory financing provided by this facility was limited to the lower of $0.3 million, or a 40% maximum of inventory balances. The Revolving Facility was accounted for as a secured borrowing. As of June 30, 2023, the Company had drawn $721,214 in accounts receivable financing and $300,000 in inventory financing with aggregate principal outstanding of $1,021,214. Interest expense and fees incurred during the three months ending June 30, 2023, amounted to $45,217 and $5,099, respectively.

Total interest expense on the above convertible notes, short-term loan and promissory notes was $159,270 and $31,414 for the three months ended June 30, 2023 and 2022, respectively.

6. TERM LOAN AND CREDIT AGREEMENT

Term Loan

On December 21, 2021, the Company entered into a Credit Agreement ("Credit Agreement") with SWK Funding LLC ("Lender'); as part of this, the Company has borrowed $12.4 million, with a maturity date of December 21, 2026. The principal will accrue interest at the LIBOR Rate plus 10.5% per annum (subject to adjustment as set forth in the Credit Agreement). Interest payments are due on each February, May, August and November commencing February 15, 2022. Pursuant to the Credit Agreement, the Company will be required to make interest only payments for the first 24 months (which may be extended to 36 months under prescribed circumstances), after which payments will include principal amortization that accommodates a 40% balloon principal payment at maturity. Prepayment of amounts owing under the Credit Agreement are allowed under prescribed circumstances. Pursuant to the Credit Agreement the Company is subject to an Origination Fee in the amount of $120,000. Upon Termination of the Credit Agreement, the Company shall pay an Exit Fee of $600,000.

As part of the loan transaction, the Company paid legal and professional costs directly in connection to the debt financing in the amount of $50,000 in cash.

Total costs directly in connection to the debt financing in the amount of $193,437 (professional fee $48,484; lender's origination fee, due diligence fee, and other expenses in the amount of $144,953) was deduced from the gross proceeds in the amount of $12,000,000.

The Company also repaid $1,574,068 of existing short-term loan and promissory notes and relevant accrued interests by using the proceeds from the loan.

Total costs directly in connection to the loan and fair value of warrants was in the amount of $1,042,149. And such costs were accounted as debt discount, and amortized using the effective interest method. The amortization of such debt discount was included in the accretion and amortization expenses. For the three months ended June 30, 2023 and 2022, the amortization of debt discount expense was $50,942 and $50,070, respectively.

Total interest expense on the term loan for the three months ended June 30, 2023 and 2022 was $493,100 and $348,833, respectively. During November 2022, the unpaid interest of $364,000 was added to the outstanding principal balance, since then interest onwards would be calculated on the updated principal balance.

The Company had accrued interest payable of $547,714 and $239,614, respectively, as of June 30, 2023 and March 31, 2023.

The Company and Lender also entered into a Guarantee and Collateral Agreement ("Collateral Agreement") wherein the Company agreed to secure the Credit Agreement with all of the Company's assets. The Company and Lender also entered into an Intellectual Property Security Agreement dated December 21, 2021 (the "IP Security Agreement") wherein the Credit Agreement is also secured by the Company's right title and interest in the Company's Intellectual Property.

In connection with the Credit Agreement, the Company issued 57,536 warrants to the Lender, which were fair-valued at $198,713 at issuance (Note 9). The warrants are accounted as a deduction from liability as well as a credit into additional paid-in capital, and amortized using the effective interest method.

At June 30, 2023, the Company was not in compliance with certain covenants of the term loan, for which it sought and received relief from the term loan lender.

(Expressed in US dollars)

7. FEDERALLY GUARANTEED LOAN

Economic Injury Disaster Loan ("EIDL")

In April 2020, the Company received $370,900 from the U.S. Small Business Administration (SBA) under the captioned program. The loan has a term of 30 years and an interest rate of 3.75% per annum, without the requirement for payment in its first 12 months. The Company may prepay the loan without penalty at will.

In May 2021, the Company received an additional $499,900 from the SBA under the same terms.

As of June 30, 2023, the Company recorded accrued interest of $62,716 for the EIDL loan (March 31, 2023: $65,247).

Interest expense on the above loan was $8,141 and $52,374 for the three months ended June 30, 2023 and 2022, respectively.

8. DERIVATIVE LIABILITIES

The Company analyzed the compound features of variable conversion and redemption embedded in the preferred shares instrument, for potential derivative accounting treatment on the basis of ASC 820 (Fair Value in Financial Instruments), ASC 815 (Accounting for Derivative Instruments and Hedging Activities), Emerging Issues Task Force ("EITF") Issue No. 00–19 and EITF 07–05, and determined that the embedded derivatives should be bundled and valued as a single, compound embedded derivative, bifurcated from the underlying equity instrument, treated as a derivative liability, and measured at fair value. A roll-forward of activity is presented below for the three months ended June 30, 2023 and 2022:

	Fiscal Year 2024	Fiscal Year 2023
	$	$
Derivative liabilities, beginning of period	759,065	352,402
New issuance	—	—
Change in fair value of derivatives during period	(79,827)	195,521
Reduction due to preferred shares redeemed	—	(10,605)
Derivative liabilities, end of period	679,238	537,318

The lattice methodology was used to value the derivative components, using the following assumptions during the three months ended June 30, 2023 and 2022:

	Fiscal Year 2024	Fiscal Year 2023
Dividend yield (%)	12	12
Risk-free rate for term (%)	4.92 - 5.04	2.13 - 2.54
Volatility (%)	95.2 - 111.4	94.4 - 101.9
Remaining terms (Years)	0.50 – 2.01	1.50 to 3.01
Stock price ($ per share)	0.46 - 0.79	1.23 to 1.77

(Expressed in US dollars)

In addition, the Company recorded derivative liabilities related to the conversion and redemption features of the convertible notes, as well as warrants that were issued in connection with the convertible notes (Note 5). Any noteholder and placement agent warrants that were issued after the finalization of exercise price was accounted for as equity. A roll-forward of activity is presented below for the three months ended June 30, 2023 and 2022:

	Fiscal Year 2024	Fiscal Year 2023
	$	$
Balance beginning of period – March 31	1,008,216	520,747
New Issuance	1,014,703	—
Conversion to common shares	—	(104,118)
Change in fair value of derivative liabilities	(21,625)	2,703
Convertible note modification	—	—
Convertible note redemption	(16,513)	—
Balance end of period – June 30	1,984,781	419,332

The Monte-Carlo methodology was used to value the convertible note and warrant derivative components during the three months ended June 30, 2023 and 2022, using the following assumptions:

	Fiscal Year 2024	Fiscal Year 2023
Risk-free rate for term (%)	4.21 - 5.06	1.82 – 2.37
Volatility (%)	93.8 – 126.6	87.6 – 95.5
Remaining terms (Years)	0.25 – 1.49	0.50 – 0.63
Stock price ($ per share)	0.46 – 0.79	1.10 – 1.77

9. STOCKHOLDERS' DEFICIENCY

(a) ***Authorized and Issued Stock***

As at June 30, 2023, the Company is authorized to issue 125,000,000 (March 31, 2023 – 125,000,000) shares of common stock ($0.001 par value), and 10,000,000 (March 31, 2023 – 10,000,000) shares of preferred stock ($0.001 par value), 20,000 of which (March 31, 2023 – 20,000) are designated shares of Series A preferred stock ($0.001 par value)

At June 30, 2023, common shares and shares directly exchangeable into equivalent common shares that were issued and outstanding totaled 52,514,582 (March 31, 2023 – 52,514,582) shares; these were comprised of 51,047,864 (March 31, 2023 – 51,047,864) shares of common stock and 1,466,718 (March 31, 2023 – 1,466,718) exchangeable shares. At June 30, 2023, there were 6,304 Series A shares of Preferred Stock that were issued and outstanding (March 31, 2023 – 6,304). There is also one share of the Special Voting Preferred Stock issued and outstanding held by one holder of record, which is the Trustee in accordance with the terms of the Trust Agreement and outstanding as at June 30, 2023 and March 31, 2023.

(b) ***Series (A) Preferred Stock***

The number of Series A Preferred Stock issued and outstanding as of June 30, 2023 and March 31, 2023 was 6,304.

The Series A Preferred Stock is junior to the Company's existing undesignated preferred stock, and unless otherwise set forth in the applicable certificate of designations, shall be junior to any future issuance of preferred stock. The purchase price (the "Purchase Price") for the Series A Preferred Stock to date has been $1,000 per share. Except as otherwise expressly required by law, the Series A Preferred Stock does not have voting rights and does not have any liquidation rights.

Preferred Stock Dividends

Dividends shall be paid at the rate of 12% per annum of the amount of the Series A Preferred Stockholder's (the "Holder") Purchase Price. Dividends shall be paid quarterly unless the Holder and the Company mutually agree to accrue and defer any such dividend.

Conversion

The Series A Preferred Stock is convertible into shares of common stock commencing 24 months after the issuance date of the Series A Preferred Stock. Upon which, on a monthly basis, up to 5% of the aggregate amount of the Purchase Price can be converted (subject to adjustment for changes in the Holder's ownership of the underlying Series A Preferred Stock). The conversion price is equal to the greater of $.001 or a 15% discount to the volume-weighted average price ("VWAP") of the Company's common stock five Trading Days immediately prior to the conversion date (the "Conversion Rate). Additionally, subject to certain provisions, the Holder may exchange its Series A Preferred Stock into any common stock financing being conducted by the Company at a 15% discount to the pricing of that financing.

Other Adjustments and Rights

- The Conversion Rate (and shares issuable upon conversion of the Series A Preferred Stock) will be appropriately adjusted to reflect stock splits, stock dividends business combinations and similar recapitalization.

- The Holders shall be entitled to a proportionate share of certain qualifying distributions on the same basis as if they were holders of the Company's common stock on an as converted basis.

Company Redemption

The Company may redeem all or part of the outstanding Series A Preferred Stock after one year from the date of issuance by paying an amount equal to the aggregate Purchase Price paid, adjusted for any reduction in Series A Preferred Stock holdings, multiplied by 110% plus accrued dividends.

(c) Share issuances

Share issuances during the three months ended June 30, 2023

None.

Share issuances during the three months ended June 30, 2022

During the three months ended June 30, 2022, the Company issued 404,545 common shares in connection with conversion of convertible notes (Note 5). The total amounts of debts settled is in amount of $406,118 that composed of face value of convertible promissory notes in amount of $302,000 (Note 5), carrying amount of conversion and redemption feature derived from notes in amount of $104,118. The fair value of the shares issued and to be issued was determined based on the market price upon conversion and was in the amount of $457,025. The difference, that represented a loss on conversion between amounts of debt settled and fair value of common shares issued, was in the amount of $50,908 and was recorded as loss on conversion of convertible promissory notes in the consolidated statement of operations and comprehensive loss.

In addition, during the three months ended June 30, 2022, the Company issued 4,167 common shares for services received, with a fair value of $7,500.

(Expressed in US dollars)

(d) Shares to be issued

Activity during the three months ended June 30, 2023

None.

Activity during the three months ended June 30, 2022

During the three months ended June 30, 2022, the Company removed 40,094 of previously to be issued shares, in connection with cancellation of warrant exercises from certain warrant holders. In addition, the Company recognized additional 11,792 shares to be issued for warrant exercise request received but not processed as of quarter end. As a result of the cancellation of to be issued shares, $42,500 was reduced from balance of shares to be issued, and the Company increased the balance of the shares to be issued by $12,500 upon the warrants exercise.

(e) Warrant issuances, exercises and other activity

Warrant exercises and issuances during the three months ended June 30, 2023

None.

Warrant exercises and issuances during the three months ended June 30, 2022

During the three months ended June 30, 2022, the Company issued 53,827 warrants as compensation to an executive of the Company who was not part of the Company stock options plan. The warrant expenses were fair valued at $77,414, and recognized as selling, general and administrative expenses, with a corresponding credit to additional paid-in capital.

Warrant activity during the three months ended June 30, 2023 is indicated below:

	Broker Warrants	Consultant and Noteholder Warrants	Warrants Issued on Convertible Notes	Total
As at March 31, 2023	839,071	1,675,627	5,329,247	7,843,945
Expired/cancelled	—	(110,000)	—	(110,000)
Exercised	—	—	—	—
Issued	—	—	—	—
As at June 30, 2023	839,071	1,565,627	5,329,247	7,733,944
Exercise Price	$ 1.06 to $6.26	$ 0.45 to $2.94	$ 1.06 to $1.50	
Expiration Date	August 2026 to January 2031	Sept 2023 to Dec 2032	January 2024 to February 2024	

(f) Stock-based compensation

2016 Equity Incentive Plan

On February 2, 2016, the Board of Directors of the Company approved the Company’s 2016 Equity Incentive Plan (the “Plan”). The purpose of the Plan is to advance the interests of the Company and its stockholders by providing an incentive to attract, retain and reward persons performing services for the Company and by motivating such persons to contribute to the growth and profitability of the Company. The Plan seeks to achieve this purpose by providing for awards in the form of options, stock appreciation rights, restricted stock purchase rights, restricted stock bonuses, restricted stock units, performance shares, performance units and other stock-based awards.

(Expressed in US dollars)

The Plan shall continue in effect until its termination by the board of directors or committee formed by the board; provided, however, that all awards shall be granted, if at all, on or before the day immediately preceding the tenth (10th) anniversary of the effective date. The maximum number of shares of stock that may be issued under the Plan shall be equal to 3,750,000 shares; provided that the maximum number of shares of stock that may be issued under the Plan pursuant to awards shall automatically and without any further Company or shareholder approval, increase on January 1 of each year for not more than 10 years from the effective date, so the number of shares that may be issued is an amount no greater than 20% of the Company's outstanding shares of stock and shares of stock underlying any outstanding exchangeable shares as of such January 1; provided further that no such increase shall be effective if it would violate any applicable law or stock exchange rule or regulation, or result in adverse tax consequences to the Company or any participant that would not otherwise result but for the increase.

During the three months ended June 30, 2023 and 2022, the Company granted 21,505 and 10,180 stock options, respectively. The Company recorded stock-based compensation of $211,180 and $ 149,190 during the three months ended June 30, 2023 and 2022, respectively in connection with the Plan under selling, general and administrative expenses with corresponding credit to additional paid in capital.

The following table summarizes the stock option activities during the three months ended June 30, 2023:

	Number of Options		Weighted Average Exercise Price
Outstanding at March 31, 2023	7,587,909	$	1.5487
Granted	21,505	$	0.4650
Exercised	—		
Expired	(58,173)	$	1.2145
Forfeited	—		
Outstanding at June 30, 2023	7,551,241	$	1.5482

The fair value of each option granted is estimated at the time of grant using multi-nominal lattice model using the following assumptions, for each of the respective three month periods ended June 30:

	2023	2022
Exercise price ($)	0.47	1.77
Risk free interest rate (%)	3.85	3.00-3.01
Expected term (Years)	10.0	5.5-6.5
Expected volatility (%)	117.1	109.3-119.5
Expected dividend yield (%)	0.00	0.00
Fair value of option ($)	0.384	1.438-1.565
Expected forfeiture (attrition) rate (%)	0.00	0.00

2023 Equity Incentive Plan and the Employee Stock Purchase Plans

On March 31, 2023, the Company adopted the 2023 Equity Incentive Plan (the "2023 Plan"). The 2023 Plan authorizes grants of equity-based and incentive cash awards to eligible participants designated by the 2023 Plan's administrator. The 2023 Plan will be administered by the Compensation Committee of the Company's Board of Directors (the "Board"). An aggregate of 5,000,000 shares of the Company's common stock (the "Common Stock"), plus the number of shares available for issuance under the Company's 2016 Equity Incentive Plan that had not been made subject to outstanding awards, were reserved for issuance under the 2023 Plan. Unless earlier terminated by the Board, the 2023 Plan will remain in effect until all Common Stock reserved for issuance has been issued, provided, however, that all awards shall be granted, if at all, on or before the day immediately preceding the tenth (10th) anniversary of the effective date of the 2023 Plan.

(Expressed in US dollars)

The Company also adopted the Employee Stock Purchase Plan (the "ESPP"). The ESPP allows eligible employees of the Company and the Company's designated subsidiaries the ability to purchase shares of the Company's Common Stock at a discount, subject to various limitations. Under the ESPP, employees will be granted the right to purchase Common Stock at a discount during a series of successive offerings, the duration and timing of which will be determined by the ESPP administrator (the "Administrator"). In no event can any single offering period be longer than 27 months. The purchase price (the "Purchase Price") for each offering will be established by the Administrator. With respect to an offering under Section 423 of the Internal Revenue Code of 1986 ("Section 423 Offering"), in no case may such Purchase Price be less than the lesser of (i) an amount equal to 85 percent of the fair market value on the commencement date, or (ii) an amount not less than 85 percent of the fair market value the on the purchase date. In the event of financial hardship, an employee may withdraw from the ESPP by providing a request at least 20 Business Days before the end of the offering period (the "Offering Period"). Otherwise, the employee will be deemed to have exercised the purchase right in full as of such exercise date. Upon exercise, the employee will purchase the number of whole shares that the participant's accumulated payroll deductions will buy at the Purchase Price. If an employee wants to decrease the rate of contribution, the employee must make a request at least 20 Business Days before the end of an Offering Period (or such earlier date as determined by the Administrator). An employee may not transfer any rights under the ESPP other than by will or the laws of descent and distribution. During a participant's lifetime, purchase rights under the ESPP shall be exercisable only by the participant.

There were no issuances under either the 2023 Plan or the ESPP as of June 30, 2023.

10. OPERATING LEASE RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

The Company has one operating lease primarily for office and administration.

During December 2021, the Company entered into a new lease agreement. The Company paid $85,000 deposit that would be returned at the end of the lease. In December 2022, the Company started a new lease with an additional suite in the same premise as the existing lease.

When measuring the lease obligations, the Company discounted lease payments using its incremental borrowing rate. The weighted-average-rate applied was 11.4% as of June 30, 2023 and March 31, 2023. The weighted average remaining lease term as of June 30, 2023 and March 31, 2023 was 3.42 years and 3.67 years, respectively.

Right of Use Asset	**2023** **$**	**2022** **$**
Beginning balance at March 31	1,587,492	1,242,700
New leases	—	—
Amortization	(87,801)	(50,531)
Ending balance at June 30	1,499,691	1,192,169

Lease Liability	**2023** **$**	**2022** **$**
Beginning balance at March 31	1,722,095	1,330,338
New leases	—	—
Repayment and interest accretion, net	(94,074)	(49,510)
Ending balance at June 30	1,628,021	1,280,828

(Expressed in US dollars)

Lease Liability	June 30, 2023 $	March 31, 2023 $
Current portion of operating lease liability	349,616	335,608
Noncurrent portion of operating lease liability	1,278,405	1,386,487

The operating lease expense was $138,734 and $121,735 for the three months ended June 30, 2023 and 2022, respectively, and included in the selling, general and administrative expenses. Operating cash flows from operating leases amounted to $141,105 and $86,279 during the three months periods ending June 30, 2023 and 2022, respectively.

The following table represents the contractual undiscounted cash flows for lease obligations as at June 30, 2023:

Calendar year	$
2023	253,109
2024	552,293
2025	600,288
2026	565,359
Total undiscounted lease liability	1,971,049
Less imputed interest	(343,028)
Total	1,628,021

11. COMMITMENTS AND CONTINGENCIES

There are no claims against the Company that were assessed as significant, which were outstanding as at June 30, 2023 or March 31, 2023 and, consequently, no provision for such has been recognized in the condensed consolidated financial statements.

12. PROPERTY AND EQUIPMENT

During the three months ended June 30, 2023 and 2022, the Company did not purchase any property and equipment. The Company recognized depreciation expense for these assets in the amount of $1,489 during the three months ended June 30, 2023 and 2022.

Cost	Office equipment	Leasehold improvement	Total
	$	$	$
Balance at March 31, 2023	16,839	12,928	29,767
Additions	—	—	—
Disposals	—	—	—
Balance at June 30, 2023	**16,839**	12,928	29,767

Accumulated depreciation	Office equipment	Leasehold improvement	Total
	$	$	$
Balance at March 31, 2023	4,675	3,586	8,261
Depreciation for the period	844	645	1,489
Disposals	—	—	—
Balance at June 30, 2023	**5,519**	4,231	**9,750**
Net book value			
Balance at March 31, 2023	12,164	9,432	21,506
Balance at June 30, 2023	**11,321**	8,697	**20,017**

13. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events during the period from July 1 to August 14, 2023, the date the condensed consolidated financial statements were issued, pursuant to the requirements of ASC 855, and has determined the following material subsequent events:

- On June 29, 2023, the Company filed a Certificate of Amendment to its Amended and Restated Articles of Incorporation to effect a one-for-six (1-for-6) share consolidation (the "Reverse Split"). The Reverse Split became effective on July 3, 2023. As a result of the Reverse Split, every six shares of the Company's issued and outstanding common stock were automatically converted into one share of common stock, without any change in the par value per share and began trading on a post-Reverse Split basis under the Company's existing trading symbol, "BTCY," when the market opened on July 3, 2023. A total of approximately 8,508,052 shares of common stock were issued and outstanding immediately after the Reverse Split. No fractional shares will be outstanding following the Reverse Split. Any holder who would have received a fractional share of common stock was automatically entitled to receive an additional fraction of a share of common stock to round up to the next whole share: 20,846 shares were issued for this purpose on July 19, 2023.

- The Company issued a further $105,000 (face value) Series C Notes, which are convertible promissory notes sold under subscription agreements to accredited investors. The Notes mature one year from the final closing date of the offering and accrue interest at 15% per annum. For additional information, please see Note 5 – Convertible Promissory Notes and Short Term Loans.

- The Company also sold 36,897 shares through use of its registration statement, for gross proceeds of $123,347, raising a net amount of $119,285 after paying for a 3% placement fee and other issuance expenses.

- The Company financed a further $0.5 million through its factoring facility on a recourse basis.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Cautionary Note Regarding Forward-Looking Statements

Except for historical information contained herein, this "Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. These forward-looking statements are based on various factors and were derived utilizing numerous important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements. Important assumptions and other factors that could cause actual results to differ materially from those in the forward-looking statements, include but are not limited to: (a) any fluctuations in sales and operating results; (b) risks associated with international operations; (c) regulatory, competitive and contractual risks; (d) development risks; (e) the ability to achieve strategic initiatives, including but not limited to the ability to achieve sales growth across the business segments through a combination of enhanced sales force, new products, and customer service; (f) competition in the Company's existing and potential future product lines of business; (g) the Company's ability to obtain financing on acceptable terms if and when needed; (h) uncertainty as to the Company's future profitability; (i) uncertainty as to the future profitability of acquired businesses or product lines; and (j) uncertainty as to any future expansion of the Company. Other factors and assumptions not identified above were also involved in the derivation of these forward-looking statements and the failure of such assumptions to be realized as well as other factors may also cause actual results to differ materially from those projected. The Company assumes no obligation to update these forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements, except as may be required under applicable law. Past results are no guaranty of future performance. Any such forward-looking statements speak only as of the dates they are made. When used in this Report, the words "believes," "anticipates," "expects," "estimates," "plans," "intends," "will" and similar expressions are intended to identify forward-looking statements.

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the financial statements and footnotes thereto included in this Quarterly Report on Form 10-Q (the "Financial Statements").

Company Overview

Biotricity Inc. (the "Company", "Biotricity", "we", "us", "our") is a medical technology company focused on biometric data monitoring solutions. Our aim is to deliver innovative, remote monitoring solutions to the medical, healthcare, and consumer markets, with a focus on diagnostic and post-diagnostic solutions for lifestyle and chronic illnesses. We approach the diagnostic side of remote patient monitoring by applying innovation within existing business models where reimbursement is established. We believe this approach reduces the risk associated with traditional medical device development and accelerates the path to revenue. In post-diagnostic markets, we intend to apply medical grade biometrics to enable consumers to self-manage, thereby driving patient compliance and reducing healthcare costs. We intend to first focus on a segment of the diagnostic mobile cardiac telemetry market, otherwise known as COM, while providing our chosen markets with the capability to also perform other cardiac studies.

We developed our FDA-cleared Bioflux® COM technology, comprised of a monitoring device and software components, which we made available to the market under limited release on April 6, 2018, in order to assess, establish and develop sales processes and market dynamics. The fiscal year ended March 31, 2021 marked the Company's first year of expanded commercialization efforts, focused on sales growth and expansion. In 2021, the Company announced the initial launch of Bioheart, a direct-to-consumer heart monitor that offers the same continuous heart monitoring technology used by physicians. In addition to developing and receiving regulatory approval or clearance of other technologies that enhance its ecosystem, in 2022, the Company announced the launch of its Biotres Cardiac Monitoring Device ("Biotres"), a three-lead device for ECG and arrhythmia monitoring intended for lower risk patients, a much broader addressable market segment. We have since expanded our sales efforts to 31 states, with intention to expand further and compete in the broader US market using an insourcing business model. Our technology has a large potential total addressable market, which can include hospitals, clinics and physicians' offices, as well as other Independent Diagnostic Testing Facilities ("IDTFs)". We believe our solution's insourcing model, which empowers physicians with state-of-the-art technology and charges technology service fees for its use, has the benefit of a reduced operating overhead for the Company, and enables a more efficient market penetration and distribution strategy.

We are a technology company focused on earning utilization-based recurring technology fee revenue. The Company's ability to grow this type of revenue is predicated on the size and quality of its sales force and their ability to penetrate the market and place devices with clinically focused, repeat users of its cardiac study technology. The Company plans to grow its sales force in order to address new markets and achieve sales penetration in the markets currently served.

Full market release of the Bioflux COM device for commercialization launched in April 2019, after receiving its second and final required FDA clearance. To commence commercialization, we ordered device inventory from our FDA-approved manufacturer and hired a small, captive sales force, with deep experience in cardiac technology sales; we expanded on our limited market release, which identified potential anchor clients who could be early adopters of our technology. By increasing our sales force and geographic footprint, we had launched sales in 31 U.S. states by December 31, 2022.

On January 24, 2022 the Company announced that it has received the 510(k) FDA clearance of its Biotres patch solution, which is a novel product in the field of Holter monitoring. This three-lead technology can provide connected Holter monitoring that is designed to produce more accurate arrythmia detection than is typical of competing remote patient monitoring solutions. It is also foundational, since already developed improvements to this technology will follow which are not known by the Company to be currently available in the market, for clinical and consumer patch solution applications.

During 2021, the Company also announced that it received a 510(k) clearance from the FDA for its Bioflux Software II System, engineered to improve workflows and reduce estimated analysis time from 5 minutes to 30 seconds. ECG monitoring requires significant human oversight to review and interpret incoming patient data to discern actionable events for clinical intervention, highlighting the necessity of driving operational efficiency. This improvement in analysis time reduces operational costs and allows the company to continue to focus on excellent customer service and industry-leading response times to physicians and their at-risk patients. Additionally, these advances mean we can focus our resources on high-level operations and sales.

The Company has also developed or is developing several other ancillary technologies, which will require application for further FDA clearances, which the Company anticipates applying for within the next to twelve months. Among these are:

- advanced ECG analysis software that can analyze and synthesize patient ECG monitoring data with the purpose of distilling it down to the important information that requires clinical intervention, while reducing the amount of human intervention necessary in the process;

- the Bioflux® 2.0, which is the next generation of our award winning Bioflux®

During 2021 and the early part of 2022, the Company has also commercially launched its Bioheart technology, which is a consumer technology whose development was forged out of prior the development of the clinical technologies that are already part of the Company's technology ecosystem, the BioSphere. In recognition of its product development, in November 2022, the Company's Bioheart received recognition as one of Time Magazine's Best Inventions of 2022.

The COVID-19 pandemic has highlighted the importance of telemedicine and remote patient monitoring technologies. The Company continues to develop a telemedicine platform, with capabilities of real-time streaming of medical devices. Telemedicine offers patients the ability to communicate directly with their health care providers without the need of leaving their home. The introduction of a telemedicine solution is intended to align with the Company's Bioflux product and facilitate remote visits and remote prescriptions for cardiac diagnostics, but it will also serve as a means of establishing referral and other synergies across the network of doctors and patients that use the technologies we are building within the Biotricity ecosystem. The intention is to continue to provide improved care to patients that may otherwise elect not to go to medical facilities and continue to provide economic benefits and costs savings to healthcare service providers and payers that reimburse. The Company's goal is to position itself as an all-in-one cardiac diagnostic and disease management solution. The Company continues to grow its data set of billions of patient heartbeats, allowing it to further develop its predictive capabilities relative to atrial fibrillation and arrythmias.

In October 2022, the Company launched its Biocare Cardiac Disease Management Solution, after successfully piloting this technology in two facilities that provide cardiac care to more than 60,000 patients. This technology and other consumer technologies and applications such as the Biokit and Biocare have been developed to allow the Company to transform and use its strong cardiac footprint to expand into remote chronic care management solutions that will be part of the BioSphere. The technology puts actionable data into the hands of physicians in order to assist them in making effective treatment decisions quickly. During March 2023, the Company launched its patient-facing Biocare app on Android and Apple app stores. This further allows the Company to expand its footprint in providing full-cycle chronic care management solutions to its clinic and patient network.

The Company identified the importance of recent developments in accelerating its path to profitability, including the launch of important new products identified, which have a ready market through cross-selling to existing large customer clinics, and large new distribution partnerships that allow the Company to sell into large hospital networks. Additionally, in September 2022, the Company was awarded a NIH Grant from the National Heart, Blood, and Lung Institute for AI-Enabled real-time monitoring, and predictive analytics for stroke due to chronic kidney failure. This is a significant achievement that broadens our technology platform's disease space demographic. The grant focusses on Bioflux-AI as an innovative system for real-time monitoring and prediction of stroke episodes in chronic kidney disease patients. The Company received $238,703 under this award in March 2023, used to defray research, development and other associated costs.

Management has indicated that its mission is to innovate and create transformative healthcare products while ensuring financial discipline, in order to drive margin and revenue growth to deliver value creation for our investors. Our commitment to innovation means that we harness data intelligently to explore novel avenues for enhancing healthcare outcomes. Through cutting-edge research and development, we believe we are redefining medical diagnostics and patient care and innovating new AI-driven solutions.

As a result of providing its Bioflux and Biotres products, Biotricity has monitored over two billion heartbeats for atrial fibrillation (afib), a leading cause of strokes. Over the past two years, these efforts have benefited over 14,000 patients diagnosed with afib, by providing them with the prospect of earlier medical intervention – which also produces significant healthcare savings to patients and the healthcare system.

We have announced that we are expanding our AI technology development in remote cardiac care, leveraging proprietary AI technology in order to provide a suite of predictive monitoring tools to enhance new disease profiling, improve patient management, and revolutionize the healthcare industry for disease prevention.

We have also strengthened relationships with Amazon and Google. The healthcare AI market opportunity is projected to grow to $208.2 billion by 2030 according to Grand View Research. Our Company has already established a strong foothold, having already built a powerful proprietary cardiac AI model that combines Google's TensorFlow, AWS infrastructure, big data and a continuous learning engine. This combination allows us to rapidly improve our cardiac technology. In the near future, we believe the capabilities of our cardiac AI model will allow us to support healthcare professionals in handling exponentially more patients while identifying the most critical data. This will enable healthcare workers to elevate the quality of care while serving a larger number of patients. As growing patient numbers further stress the shortage of healthcare professionals, our technology could help alleviate this pressing issue. We have engineered our technology to not only improve patient care and outcomes, but to do so in a manner that supports more patients. This has led to increasing sales of our remote cardiac monitoring devices and the ramp-up of our subscription-based service, increasing our recurring revenue over the past few quarters and charting a clear path to profitability.

From a market perspective, the increasing interest and demand continue to drive the adoption of our suite of products focused on chronic cardiac disease prevention and management. Our efforts in commercialization and development have yielded tremendous progress in remote monitoring solutions for diagnostic and post-diagnostic products.

Results of Operations

The following table sets forth our results of operations for the three months ended June 30, 2023 and 2022.

	For the 3 months ended June 30, 2023	For the 3 months ended June 30, 2022	Period to Period Change
Revenue	$ 3,020,765	$ 2,056,052	$ 964,713
Cost of revenue	1,104,061	830,923	273,138
Gross profit	1,916,704	1,225,129	691,575
Gross Margin	63.5%	59.6%	
Operating expenses:			
Selling, general and administrative	3,520,215	4,492,615	(972,400)
Research and development	712,975	821,176	(108,201)
Total operating expenses	4,233,190	5,313,791	(1,080,601)
Loss from operations	(2,316,486)	(4,088,662)	1,772,176
Interest expense	(660,512)	(388,388)	(272,124)
Accretion and amortization expenses	(557,219)	(50,070)	(507,149)
Change in fair value of derivative liabilities	101,452	(198,224)	299,676
Gain (loss) upon convertible promissory note conversion and redemption	6,448	(50,908)	57,356
Other income	13,435	—	13,435
Net loss before income taxes	(3,412,882)	(4,776,252)	1,363,370
Income taxes	—	—	—
Net loss before dividends	$ (3,412,882)	$ (4,776,252)	$ 1,363,370

The results for the three months ended June 30, 2023, demonstrate year-over-year revenue growth and improvements in key operating metrics. Specifically, our recurring technology fees, device sales, and gross margins all demonstrated positive growth while maintaining cost control through management's efforts to ensure cost reduction and expense management in order to make progress on its plan to achieve positive cash flow and profitability.

Revenue and cost of revenue

By increasing our sales force and geographic footprint, we are actively selling in 30 U.S. states as of June 30, 2023. The Company earned combined device sales and technology fee income totaling $3.0 million during the three months ended June 30, 2023 – 46.9% growth in revenue over the $2.1 million earned in the prior year comparable quarter.

Technology fees increased to $2.77 million during the three months ended June 30, 2023, which is a 47% increase over the corresponding three-month period of the prior year. The majority of these fees are recurring, and their growth can be attributed to strong customer retention that is supported by the quality of customer and cardiologist-friendly support services that emphasize accuracy of diagnostics and ease-of-use. Device sales comprised 8.3% of our total revenue, or $252 thousand for the three-month period ended June 30, 2023. Gross profit percentage was 63.5% for the three months ended June 30, 2023, as compared to 59.6% in the corresponding prior year quarter. This increase in gross margin can primarily be attributed to improved margins on technology fees. Given consistent gross margin on technology fees of approximately 70%, and efficiencies gained in using AI in data processing as well as an evolving revenue mix where technology fees are expected to comprise an increasing proportion of revenue, we anticipate continued improvement in overall blended gross margin over time. Technology fees comprised 92% of total revenue for the three-month period ended June 30, 2023.

Operating Expenses

Total operating expenses for the three months ended June 30, 2023, were $4.2 million as compared to $5.3 million for the three months ended June 30, 2022. See further explanations below.

Selling, General and administrative expenses

Our selling, general and administrative expenses for the three months ended June 30, 2023 was $3.5 million, compared to approximately $4.5 million during the three months ended June 30, 2022 – a 22% reduction. Despite our increased on sales efforts and the resulting revenue growth, we reduced total selling, general and administrative expenses decreased by $1.0 million for the fiscal quarter ended June 30, 2023 when compared to the comparable prior year period primarily due to increased monitoring of spending efficiency over our fixed general and administrative expenses in the current period.

Research and development expenses

For the three months ended June 30, 2023 we recorded research and development expenses of $0.7 million, compared to $0.8 million incurred for three months ended June 30, 2022. The research and development activity related to both existing and new products. The decrease in research and development activity was a result of the timing of activities associated with the development of new technologies for our ecosystem and product enhancements.

Interest Expense

For the three months ended June 30, 2023 and 2022, we incurred interest expenses of $0.7 million and $0.4 million, respectively. The increase in interest expense during the current period was the result of an increase in borrowings and market interest rate increases when compared to the prior year period.

Accretion and amortization expenses

For the three months ended June 30, 2023 and 2022, we incurred accretion expenses of $557 thousand and $50 thousand, respectively. The increase in the current period was a result of debt discount amortization related to new convertible notes entered towards end of the prior fiscal year.

Change in fair value of derivative liabilities

For the three months ended June 30, 2023 and 2022, we recognized a gain of $101 thousand versus a loss of $198 thousand, respectively, related to the change in fair value of derivative liabilities. The fair value changes were largely attributed to the underlying change in our equity fair value coupled with the timing of anticipated settlement events.

Loss upon convertible promissory notes conversion

During the three months ended June 30, 2023 and 2022, we recorded a gain of $6 thousand versus a loss of $51 thousand, respectively, related to the redemption or conversion of our convertible promissory notes. The change of loss upon conversion upon convertible notes conversion was largely the result of decreased volumes of conversions in the current quarter as compared to comparable quarter in the prior year.

Other income

During the three months ended June 30, 2023, we recognized $13 thousand in net other income attributed to the financing component provisions contained in our revenue contracts. There was no other income during the corresponding prior year quarter.

Net Loss

As a result of the foregoing, the net loss attributable to common stockholders for the three months ended June 30, 2023 was $3.6 million compared to a net loss of $5.0 million during the comparable quarter in the prior year. This represents a 33% year-over-year reduction in net loss, and a reduction in loss per share to $0.069 from $0.098 for the three-month period ended June 30, 2022.

EBITDA and Adjusted EBITDA

Earnings before interest, taxes, depreciation and amortization expenses (EBITDA) and Adjusted EBITDA, which are presented below, are non-generally accepted accounting principles (non-GAAP) measures that we believe are useful to management, investors and other users of our financial information in evaluating operating profitability. EBITDA is calculated by adding back interest, taxes, depreciation and amortization expenses to net income.

Adjusted EBITDA is calculated by excluding from EBITDA the effect of the following non-operational items: equity in earnings and losses of unconsolidated businesses and other income and expense, net, as well as the effect of special items that related to one-time, non-recurring expenditures or expenditures that do not reduce operating cash flows. We believe that this measure is useful to management, investors and other users of our financial information in evaluating the effectiveness of our operations and underlying business trends in a manner that is consistent with management's evaluation of business performance. Further, the exclusion of non-operational items and special items enables comparability to prior period performance and trend analysis, and are an important indicator to management of its progress towards achieving operational cash flow break-even and profitability. See notes in the table below for additional information regarding special items. The table below demonstrates significant reductions in quarterly negative EBITDA of $1.8 million from the corresponding three-month period a year earlier, and a reduction of $1.1 million from the immediately preceding three-month period ended March 31, 2023. This resulted from management's consistent effort to grow the recurring technology fee revenue base, while controlling administrative costs and reducing the costs associated with selling its services and processing the provision of those to customers. Management believes that they have achieved these results by continuous improvement to their technology, including thru the implementation of AI, in order to also strengthen the quality of the services provided to the customer.

It is management's intent to provide non-GAAP financial information to enhance the understanding of Biotricity's GAAP financial information, and it should be considered by the reader in addition to, but not instead of, the financial statements prepared in accordance with GAAP. We believe that providing these non-GAAP measures in addition to the GAAP measures allows management, investors and other users of our financial information to more fully and accurately assess business performance. The non-GAAP financial information presented may be determined or calculated differently by other companies and may not be directly comparable to that of other companies.

EBITDA and Adjusted EBITDA

	3 months ended June 30, 2023	3 months ended March 31, 2023	3 months ended June 30, 2022
	$	$	$
Net loss attributable to common stockholders	(3,601,579)	(4,857,438)	(5,024,389)
Add:			
Provision for income taxes	—	—	—
Interest expense	660,512	665,350	388,388
Accretion and amortization expenses	558,707	561,444	51,558
EBITDA	(2,382,360)	(3,630,644)	(4,584,442)
Add (Less)			
Share based compensation (1)	211,180	281,978	226,604
Preferred stock dividends (2)	188,697	185,210	248,137
Other income/(loss) (3)	13,435	6,167	—
Gain (loss) upon convertible promissory notes conversion and redemption (3)	(6,448)	(14,418)	50,908
Fair value change on derivative liabilities (3)	(101,452)	13,902	198,224
Adjusted EBITDA	(2,076,948)	(3,157,805)	(3,860,569)
Weighted average number of common shares outstanding	52,514,582	52,394,387	51,440,944
Adjusted Loss per Share, Basic and Diluted	(0.040)	(0.060)	(0.075)

(1) Share based compensation is a non-cash item therefore is removed from our adjusted EBITDA analysis
(2) Preferred stock dividend payment is at Company's discretion and therefore is removed from our adjusted EBITDA analysis
(3) These items relate to financing transactions and therefore do not reflect the Company's core operating activities

Translation Adjustment

Translation adjustment was a loss of $176 thousand versus a gain of $233 thousand for the three months ended June 30, 2023 and 2022, respectively. This translation adjustment represents gains and losses that result from the translation of currency in the financial statements from our functional currency of Canadian dollars to the reporting currency in U.S. dollars over the course of the reporting period.

Global Economic Conditions

Generally, worldwide economic conditions remain uncertain, particularly due to the effects of the COVID-19 pandemic and increased inflation. The general economic and capital market conditions both in the U.S. and worldwide, have been volatile in the past and at times have adversely affected our access to capital and increased the cost of capital. The capital and credit markets may not be available to support future capital raising activity on favorable terms. If economic conditions decline, our future cost of equity or debt capital and access to the capital markets could be adversely affected.

The COVID-19 pandemic that began in late 2019 introduced significant volatility to the global economy, disrupted supply chains and had a widespread adverse effect on the financial markets. Additionally, our operating results could be materially impacted by changes in the overall macroeconomic environment and other economic factors. Changes in economic conditions, supply chain constraints, logistics challenges, labor shortages, the conflict in Ukraine, and steps taken by governments and central banks, particularly in response to the COVID-19 pandemic as well as other stimulus and spending programs, have led to higher inflation, which has led to an increase in costs and has caused changes in fiscal and monetary policy, including increased interest rates.

Liquidity and Capital Resources

On June 30, 2023, we had cash deposits in the aggregate of approximately $51 thousand. In addition, we had undeposited funds of $469 thousand, which represented customer payments that were processed by payment processors but were in transit to us, and were deposited in our bank account shortly after June 30, 2023.

Management has noted the existence of substantial doubt about our ability to continue as a going concern. Additionally, our independent registered public accounting firm included an explanatory paragraph in the report on our financial statements as of and for the years ended March 31, 2023 and 2022, respectively, noting the existence of substantial doubt about our ability to continue as a going concern. Our existing cash deposits may not be sufficient to fund our operating expenses through at least twelve months from the date of this filing. To continue to fund operations, we will need to secure additional funding through public or private equity or debt financings, through collaborations or partnerships with other companies or other sources. We may not be able to raise additional capital on terms acceptable to us, or at all. Any failure to raise capital when needed could compromise our ability to execute our business plan. If we are unable to raise additional funds, or if our anticipated operating results are not achieved, we believe planned expenditure may need to be reduced in order to extend the time period that existing resources can fund our operations. If we are unable to obtain the necessary capital, it may have a material adverse effect on our operations and the development of our technology, or we may have to cease operations altogether.

The development and commercialization of our product offerings are subject to numerous uncertainties, and we could use our cash resources sooner than we expect. Additionally, the process of developing our products is costly, and the timing of progress can be subject to uncertainty; our ability to successfully transition to profitability may be dependent upon achieving further regulatory approvals and achieving a level of product sales adequate to support our cost structure. Though we are optimistic with respect to our revenue growth trajectory and our cost control initiatives, we cannot be certain that we will ever be profitable or generate positive cash flow from operating activities.

The Company is in commercialization mode, while continuing to pursue the development of its next generation COM product as well as new products that are being developed.

We generally require cash to:

- purchase devices that will be placed in the field for pilot projects and to produce revenue,
- launch sales initiatives,
- fund our operations and working capital requirements,
- develop and execute our product development and market introduction plans,
- fund research and development efforts, and
- pay any expense obligations as they come due.

The Company is in the early stages of commercializing its products. It is concurrently in development mode, operating a research and development program in order to develop an ecosystem of medical technologies, and, where required or deemed advisable, obtain regulatory approvals for, and commercialize other proposed products. The Company launched its first commercial sales program as part of a limited market release, during the year ended March 31, 2019, using an experienced professional in-house sales team. A full market release ensued during the year ended March 31, 2020. Management anticipates the Company will continue on its revenue growth trajectory and improve its liquidity through continued business development and after additional equity or debt capitalization of the Company. The Company has incurred recurring losses from operations, and as at June 30, 2023, has an accumulated deficit of $116.2 million. On August 30, 2021 the Company completed an underwritten public offering of its common stock that concurrently facilitated its listing on the Nasdaq Capital Market. On June 30, 2023, the Company has a working capital deficit of $10.7 million. Prior to listing on the Nasdaq Capital Market, the Company had also filed a shelf Registration Statement on Form S-3 (No. 333-255544) with the Securities and Exchange Commission on April 27, 2021, which was declared effective on May 4, 2021. This facilitates better transactional preparedness when the Company seeks to issue equity or debt to potential investors, since it continues to allow the Company to offer its shares to investors only by means of a prospectus, including a prospectus supplement, which forms part of an effective registration statement.

The Company has developed and continues to pursue sources of funding that management believes will be sufficient to support the Company's operating plan and alleviate any substantial doubt as to its ability to meet its obligations at least for a period of one year from the date of these consolidated financial statements. During the fiscal year ended March 31, 2021, the Company closed a number of private placements offering of convertible notes, which have raised net cash proceeds of $11,375,690. During the fiscal year ended March 31, 2022, the Company raised an additional $499,900 through government EIDL loan., The Company also raised total net proceeds of $14,545,805 through the underwritten public offering that was concurrent with its listing onto the Nasdaq Capital Markets. The Company raised additional net proceeds of $11,756,563 through a term loan transaction (Note 6) and made repayment of the previously issued promissory notes and short-term loans. In connection with this loan, the Company and Lender entered into a Guarantee and Collateral Agreement, as well as an Intellectual Property Security Agreement, wherein the Company agreed to secure the Credit Agreement with all of the Company's assets, as well as secured by the Company's right title and interest in the Company's Intellectual Property. During the fiscal year ended March 31, 2023, the Company raised short-term loans and promissory notes, net of repayments of $1,476,121 from various lenders. The Company also raised convertible notes, net of redemptions of $2,355,318 from various lenders. During the three months ended June 30, 2023, the Company raised additional convertible notes, net of redemptions of $855,538 from various lenders. In addition, the Company raised additional short-term loans and promissory notes, net of repayments of $479,656 from various lenders.

As we proceed with the commercialization of the Bioflux, Biotres and Biocare products and continue their development, we expect to continue to devote significant resources on capital expenditures, as well as research and development costs and operations, marketing and sales expenditures.

We expect to require additional funds to further develop our business plan, including the continuous commercialization and expansion of the technologies that will form part of its BioSphere eco-system. Based on the current known facts and assumptions, we believe our existing cash and cash equivalents, access to funding sources, along with anticipated near-term debt and equity financings, will be sufficient to meet our needs for the next twelve months from the filing date of this report. We intend to seek and opportunistically acquire additional debt or equity capital to respond to business opportunities and challenges, including our ongoing operating expenses, protecting our intellectual property, developing or acquiring new lines of business and enhancing our operating infrastructure. The terms of our future financings may be dilutive to, or otherwise adversely affect, holders of our common stock. We may also seek additional funds through arrangements with collaborators or other third parties. There can be no assurance we will be able to raise this additional capital on acceptable terms, or at all. If we are unable to obtain additional funding on a timely basis, we may be required to modify our operating plan and otherwise curtail or slow the pace of development and commercialization of our proposed product lines.

The following is a summary of cash flows for each of the periods set forth below.

	For the Three Months Ended June 30,	
	2023	**2022**
Net cash used in operating activities	$ (1,832,118)	$ (4,039,394)
Net cash used in investing activities	—	—
Net cash provided by (used in) financing activities	1,329,145	(833,321)
Net decrease in cash	$ (502,973)	$ (4,872,715)

Net Cash Used in Operating Activities

During the three months ended June 30, 2023, we used cash in operating activities in the amount of $1.8 million. The cash in operating activities was primarily due to selling expenses as well as research, product development, business development, marketing and general operations. The decrease in cash used reflects management's concerted effort to contain costs while increasing revenues, on the path of achieving break-even.

During the three months ended June 30, 2022, we used cash in operating activities of $4.0 million. These activities involved expenditures for sales, infrastructure and business development, as well as marketing and operating activities, and continued research and product development.

Net Cash Used in Investing Activities

Net cash used in investing activities was Nil during the three months ended June 30, 2023 and 2022.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was $1.3 million as compared to net cash used of $0.8 million during the three months ended June 30, 2023 and 2022, respectively.

For the three months ended June 30, 2023, the net cash provided by financing activities related to net proceeds attributed to the issuance of additional convertible notes of $0.9 million, as well as net proceeds from issuance of short term loans and promissory notes in the amount of approximately $0.4 million.

For the three months ended June 30, 2022, the cash used by financing activities was primarily due to the redemption of preferred stock in the amount of $0.3 million and the payment of preferred stock dividends in the amount of $0.5 million.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with GAAP. These accounting principles require us to make estimates and judgments that can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenue and expense during the periods presented. We believe that the estimates and judgments upon which we rely are reasonably based upon information available to us at the time that we make these estimates and judgments. To the extent that there are material differences between these estimates and actual results, our financial results will be affected. The accounting policies that reflect our more significant estimates and judgments and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results are described in "Management's Discussion and Analysis of Financial Condition and Results of Operations", included in our 2023 Form 10-K filed on June 29, 2023.

During the three months ended June 30, 2023, there were no material changes to our critical accounting estimates disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2023 Form 10-K filed on June 29, 2023.

Recent Accounting Pronouncements

Refer to Note 3— Summary of Significant Accounting Policies to our condensed consolidated financial statements included elsewhere in this report for a discussion of recently issued accounting pronouncements.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not required for a smaller reporting company.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-15(e). The Company's disclosure controls and procedures are designed to provide a reasonable level of assurance of reaching the Company's desired disclosure control objectives. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Therefore, even a system which is determined to be effective cannot provide absolute assurance that all control issues have been detected or prevented. Our systems of internal controls are designed to provide reasonable assurance with respect to financial statement preparation and presentation.

At the end of the period being reported upon, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to ensure that the material information required to be included in our Securities and Exchange Commission reports is accumulated and communicated to our management, including our principal executive and financial officer, as well as recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms relating to the Company.

Changes in Internal Controls

There were no changes in the Company's internal controls over financial reporting that occurred during the three-month period ended June 30 2023 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may be involved in various claims and legal proceedings relating to claims arising out of our operations. We are not currently a party to any legal proceedings that, in the opinion of our management, are likely to have a material adverse effect on our business. Regardless of outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors

Not required for smaller reporting companies.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.
** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 14th day of August 2023.

BIOTRICITY INC.

By: */s/ Waqaas Al-Siddiq*
Name: Waqaas Al-Siddiq
Title: Chief Executive Officer
(principal executive officer)

By: */s/ John Ayanoglou*
Name: John Ayanoglou
Title: Chief Financial Officer
(principal financial and accounting officer)

Exhibit 31.1

BIOTRICITY INC.

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Waqaas Al-Siddiq, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Biotricity Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2023

/s/ Waqaas Al-Siddiq
Waqaas Al-Siddiq
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

BIOTRICITY INC.

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John Ayanoglou, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Biotricity Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2023

/s/ John Ayanoglou
John Ayanoglou
(Principal Financial and Accounting Officer)

Exhibit 32.1

BIOTRICITY INC.

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Biotricity Inc. (the "Company") for the quarterly period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Waqaas Al-Siddiq, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2023

/s/ Waqaas Al-Siddiq

Waqaas Al-Siddiq
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

BIOTRICITY INC.

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Biotricity Inc. (the "Company") for the quarterly period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Ayanoglou, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2023

/s/ John Ayanoglou
John Ayanoglou
(Principal Financial and Accounting Officer)