

**MYDECINE INNOVATIONS GROUP INC.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE AND SIX MONTHS ENDED JUNE 30, 2023 AND JUNE 30, 2022**  
**Unaudited**  
(Expressed in Canadian dollars)

**MYDECINE INNOVATIONS GROUP INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**UNAUDITED**  
**(EXPRESSED IN CANADIAN DOLLARS)**

<b>As at,</b>	<b>Note</b>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
		<b>\$</b>	<b>\$</b>
<b>Current assets</b>			
Cash		40,458	11,030
Other receivables	4	-	86,667
Sales tax receivable		122,645	276,135
Marketable securities	4	-	4,617,885
Prepays and deposits	5	400,769	1,220,349
<b>Total current assets</b>		<b>563,872</b>	<b>6,212,066</b>
<b>Non-current assets</b>			
Prepays and deposits	5	460,167	678,916
Property and equipment	6	1,197	9,876
<b>Total assets</b>		<b>1,025,236</b>	<b>6,900,858</b>
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	14	4,855,211	5,371,916
Notes payable	8	85,262	85,204
Derivative liabilities	9	-	346,667
<b>Total current liabilities</b>		<b>4,940,473</b>	<b>5,803,787</b>
<b>Non-current liabilities</b>			
Convertible debentures, net	7	5,169,505	4,696,974
<b>Total liabilities</b>		<b>10,109,978</b>	<b>10,500,761</b>
<b>Shareholders' equity (deficiency)</b>			
Share capital	10	121,269,011	115,918,379
Contributed surplus	10	16,787,778	16,787,778
Equity portion of convertible debentures	7	175,756	175,756
Deficit		(147,317,287)	(136,481,816)
<b>Total shareholders' equity (deficiency)</b>		<b>(9,084,742)</b>	<b>(3,599,903)</b>
<b>Total liabilities and shareholders' equity (deficiency)</b>		<b>1,025,236</b>	<b>6,900,858</b>

**Nature, continuance of operations and going concern** (Note 1)

**Commitments** (Note 13)

Approved on behalf of the Board on August 14, 2023

"David Joshua Bartch"

Director

"Rob Roscow"

Director

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

**MYDECINE INNOVATIONS GROUP INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**UNAUDITED**  
**(EXPRESSED IN CANADIAN DOLLARS)**

	Note	For the three-months ended,		For the six-months ended,	
		June 30,	June 30,	June 30,	June 30,
		2023	2022	2023	2022
		\$	\$	\$	\$
<b>Expenses</b>					
Finance cost	7	239,621	238,464	474,539	459,663
Corporate development		2,018	13,594	503,649	141,474
Depreciation	6	3,404	34,301	8,679	94,573
Consulting fees		1,523,776	805,421	3,456,714	2,229,294
Director and management fees	12	124,921	120,284	308,883	230,856
Foreign exchange loss (gain)		(23,013)	(53,964)	(13,383)	(25,776)
Insurance		20,445	289,529	49,169	548,874
Office and miscellaneous		96,484	22,541	235,150	240,523
Professional fees		136,849	385,479	462,470	992,633
Regulatory and filing fees		30,914	-	131,594	-
Research and development		101,750	652,486	245,084	1,702,011
Salaries	12	393,751	737,196	768,810	1,375,242
<b>Total expenses</b>		<b>2,650,920</b>	<b>3,245,331</b>	<b>6,631,358</b>	<b>7,989,367</b>
<b>Other income (expenses)</b>					
Change in fair value of derivative liabilities	9	-	631,760	-	(261,690)
Revaluation of marketable securities	4	(530,221)	-	(2,807,318)	-
Other income		-	-	26,667	-
Other receivable provision	4	-	-	(1,285,365)	-
Loss on settlement of debt	10	-	-	(5,425)	-
Transaction costs		-	-	(132,672)	-
<b>Total other income (expenses)</b>		<b>(530,221)</b>	<b>631,760</b>	<b>(4,204,113)</b>	<b>(261,690)</b>
<b>Loss for the period</b>		<b>(3,181,141)</b>	<b>(2,613,571)</b>	<b>(10,835,471)</b>	<b>(8,251,057)</b>
Foreign currency translation adjustment		-	61,561	-	61,561
<b>Net loss and comprehensive loss for the period</b>		<b>(3,181,141)</b>	<b>(2,552,010)</b>	<b>(10,835,471)</b>	<b>(8,189,496)</b>
<b>Net loss per share – Basic and diluted from continuing operations</b>		<b>(0.13)</b>	<b>(0.35)</b>	<b>(0.49)</b>	<b>(1.31)</b>
<b>Weighted average number of shares outstanding – Basic and diluted</b>		<b>25,154,580</b>	<b>7,142,532</b>	<b>21,894,987</b>	<b>6,217,942</b>

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

**MYDECINE INNOVATIONS GROUP INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**UNAUDITED**  
**(EXPRESSED IN CANADIAN DOLLARS)**

	Note	Number of Shares	Share Capital	Contributed Surplus	Equity Component of Convertible Debentures	Accumulated Other Comprehensive Income	Deficit	Shareholders' Equity
<b>Balance, December 31, 2021</b>		<b>5,218,600</b>	<b>\$ 107,662,388</b>	<b>\$ 17,288,315</b>	<b>\$ 175,756</b>	<b>\$ -</b>	<b>\$ (124,915,140)</b>	<b>\$ 211,319</b>
Shares issued for financing	10	3,772,073	4,874,302	-	-	-	-	4,874,302
Share issuance cost	10	-	(384,823)	-	-	-	-	(384,823)
Adjustment for reverse split	10	(13)	-	-	-	-	-	-
MindLeap Health Inc.'s – anti dilution clause	10	53,175	1,462,324	-	-	-	-	1,462,324
Neuropharm Inc.'s – anti dilution clause	10	10,397	207,939	(207,939)	-	-	-	-
Neuropharm performance warrants exercised	10	17,600	86,269	(86,296)	-	-	-	-
Foreign currency translation adjustment		-	-	-	-	61,561	-	-
Net loss for the period		-	-	-	-	-	(8,251,057)	(8,251,057)
<b>Balance, June 30, 2022</b>		<b>9,071,832</b>	<b>113,908,425</b>	<b>16,994,080</b>	<b>175,756</b>	<b>61,561</b>	<b>(133,166,197)</b>	<b>(2,026,374)</b>
Balance, December 31, 2022	10	14,895,612	\$ 115,918,379	\$ 16,787,778	\$ 175,756	\$ -	\$ (136,481,816)	\$ (3,599,903)
Shares issued for financing	10	10,293,554	4,650,000	-	-	-	-	4,650,000
Debt settlement	10	601,638	353,966	-	-	-	-	353,966
Derivative liability settlement	10	666,667	346,666	-	-	-	-	346,666
Net loss for the period		-	-	-	-	-	(10,835,471)	(10,835,471)
<b>Balance, June 30, 2023</b>		<b>26,457,471</b>	<b>121,269,011</b>	<b>16,787,778</b>	<b>175,756</b>	<b>-</b>	<b>(147,317,287)</b>	<b>(9,084,742)</b>

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

**MYDECINE INNOVATIONS GROUP INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**UNAUDITED**  
**(EXPRESSED IN CANADIAN DOLLARS)**

For the six months ended,	Note	June 30, 2023	June 30, 2022
<b>Cash flows used in</b>			
Operating activities			
Net loss for the period		\$ (10,835,471)	\$ (8,251,057)
Items not affecting cash:			
Depreciation	6	8,679	94,573
Finance cost	7	474,537	459,663
Foreign exchange		(1,947)	-
Realized loss on marketable security	4	2,807,318	-
Other receivable provision	4	1,285,366	-
Loss on debt settlement		5,425	-
Non-cash gain/loss		-	(23,507)
Change in fair value of derivative liability		-	261,690
		(6,256,093)	(7,458,638)
<b>Changes in non-cash working capital items:</b>			
Accounts receivable		240,157	3,856
Prepays and deposits		1,038,329	68,388
Sales taxes receivable		-	(56,278)
Accounts payable and accrued liabilities		(168,166)	1,767,007
<b>Cash used in operating activities</b>		<b>(5,145,773)</b>	<b>(5,675,665)</b>
<b>Investing activities</b>			
Sale of marketable security	4	500,001	-
Sale of marketable securities warrants	4	25,200	-
<b>Net cash used in investing activities</b>		<b>525,201</b>	<b>-</b>
<b>Financing activities</b>			
Proceeds from sale of shares	7	4,625,000	-
Notes payable	8	-	87,916
Lease payments		-	(47,119)
Private placement		-	4,874,302
Share issuance costs		-	(384,825)
<b>Net cash provided from financing activities</b>		<b>4,625,000</b>	<b>4,530,276</b>
Foreign exchange on cash			(25,776)
<b>Increase (decrease) in cash during the period</b>		<b>29,428</b>	<b>(1,171,165)</b>
<b>Cash, beginning of the period</b>		<b>11,030</b>	<b>1,495,311</b>
<b>Cash, end of the period</b>		<b>\$ 40,458</b>	<b>\$ 324,146</b>

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

**MYDECINE INNOVATIONS GROUP INC.  
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022  
UNAUDITED  
(EXPRESSED IN CANADIAN DOLLARS)**

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**1. NATURE, CONTINUANCE OF OPERATIONS AND GOING CONCERN**

Mydecine Innovations Group Inc. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on September 27, 2013, under the name 0981624 B.C. Ltd. On May 27, 2020 the Company changed its name to Mydecine Innovations Group Inc. The Company’s common shares trade on the NEO exchange (NEO: MYCO), OTC exchange (OTC:MYCOF) and on the Frankfurt stock exchange (FSE:0NFA). The Company’s principal activities are research, drug development and clinical trials of psilocybin products. The registered address, head office, principal address and records office of the Company are located at Suite 810 - 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

As at June 30, 2023, the Company has an accumulated deficit of \$147,317,287 (December 31, 2022 - \$136,481,816), net loss of \$10,835,471 (June 30, 2022 - \$8,251,057) and cash used in operating activities of \$5,145,773 (June 30, 2022 - \$5,675,665). The Company’s ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to conduct its planned business, meet its on-going levels of corporate overhead and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. These material uncertainties may cast significant doubt as to the Company’s ability to continue as a going concern.

These condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in these condensed interim consolidated financial statements.

**2. BASIS OF PRESENTATION**

**Statement of Compliance**

These condensed interim consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”), as set out in the CPA Canada Handbook – Accounting (“CPA Handbook”) as issued by the International Accounting Standards Board (“IASB”). The policies set out below have been consistently applied to all years presented unless otherwise noted.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Company’s Board of Directors on August 14, 2023.

**Basis of Measurement**

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments and investment properties, which are measured at fair value through profit and loss, as explained in the accounting policies below. Historical costs are generally based upon the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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**2. BASIS OF PRESENTATION (CONTINUED)**

**Functional Currency**

All figures presented in the condensed interim consolidated financial statements are reflected in Canadian dollars. The Company and NeuroPharm Inc. functional currency is the Canadian dollar. The functional currency of all the companies included in the spin-out was the US dollar.

Foreign currency transactions are translated to the respective functional currencies of the Company's entities at the exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the foreign exchange rate applicable at the statement of financial position date. Non-monetary items carried at historical cost denominated in foreign currencies are translated to the functional currency at the date of the transactions. Non-monetary items carried at fair value denominated in foreign currencies are translated to the functional currency at the date when the fair value was determined. Realized and unrealized exchange gains and losses are recognized through profit and loss.

On consolidation, the assets and liabilities of foreign operations reported in their functional currencies are translated into Canadian dollars, the Group's presentation currency, at period-end exchange rates. Income and expenses, and cash flows of foreign operations are translated into Canadian dollars using average exchange rates. Exchange differences resulting from translating foreign operations are recognized in accumulated other comprehensive loss.

**Basis of consolidation**

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of subsidiaries are included in the condensed interim consolidated financial statements from the date that control commences until the date that control ceases. As at December 31, 2022, the following is a list of the Company's operating subsidiaries:

Name	Jurisdiction of incorporation	Interest
Mydecine Group (1220611 BC Ltd)	Canada	100%
NeuroPharm Inc	Canada	100%

All inter-company transactions and balances have been eliminated on consolidation.

**Discontinued operating and assets held for distribution**

A non-current asset or a group of assets and liabilities is held for distribution when its carrying amount will be recovered principally through its divestiture and not by continuing utilization. To meet this definition, the asset must be available for immediate distribution, and divestiture must be highly probable.

These assets and liabilities are recognized as assets held for distribution and liabilities associated with assets held for distribution, without offset. The related assets recorded as assets held for distribution are valued at the lower of fair value, net of divestiture fees, and cost less accumulated depreciation and impairment losses, and are no longer depreciated.

**MYDECINE INNOVATIONS GROUP INC.**  
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**2. BASIS OF PRESENTATION (CONTINUED)**

An operation is qualified as discontinued when it represents a separate major line of business and the criteria for classification as an asset held for distribution have been met, or when the Company has sold the asset.

Discontinued operations are presented on a single line of the condensed interim consolidated statements of loss and comprehensive loss for the periods reported, comprising the earnings after tax of discontinued operations until divestiture and the gain or loss after tax on sale or fair value measurement, less costs to sell the assets and liabilities making up the discontinued operations are presented on one separate line of the condensed interim consolidated statements of cash flows for the periods presented.

**3. SIGNIFICANT ACCOUNTING POLICIES**

In preparing these condensed interim consolidated financial statements, the significant accounting policies and the significant judgments made by management in applying the Company's significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's audited consolidated financial statements for the year ended December 31, 2022.

Convertible Debentures

The convertible debentures which meet the fixed-for-fixed criteria (fixed consideration received and fixed number of shares issued upon conversion) are separated into their liability and equity components on the consolidated statements of financial position. The liability component is initially recognized at fair value, calculated as the net present value of the liability based upon non-convertible debt issued by comparable issuers and accounted for at amortized cost using the effective interest rate method. The effective interest rate used is the estimated rate for the non-convertible debt with similar terms in the time of issue. The fair value of the equity component is determined at the time of issue as the difference between the face value of the convertible debentures and the fair value of the liability component. Subsequent modifications to equity components of convertible debenture do not affect the carrying value.

Transaction costs that are directly attributed to the issuance of the debentures are recorded against equity and loan components on a pro-rated basis. Transaction costs allocated to the liability component are accreted over the term of the loan using the effective interest rate method.

Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the year. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Expected credit losses on other receivables

The Company estimates the expected credit loss on other receivables based on management's best estimate of the lifetime expected credit loss calculated based on probability of default, loss given default, and outstanding balance of the loan. As at June 30, 2023, the total lifetime expected credit loss on other receivables was estimated to be \$1,285,366.



**MYDECINE INNOVATIONS GROUP INC.**  
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**4. MARKETABLE SECURITIES**

During the period ended December 31, 2022, the Company received 18,000,000 units of Pangenomic Health Inc. pursuant to the sale of Mindleap.

The following is a continuity schedule of marketable securities of Pangenomic Health Inc.:

	Pangenomic Health Inc.
<b>Common shares</b>	
Balance, December 31, 2021	-
Common shares received as consideration	18,000,000
Disposition of common shares to settle convertible debenture interest (Note 7)	(2,750,000)
<b>Balance, December 31, 2022</b>	<b>15,250,000</b>
Shares disposed pursuant to share sale agreement	(15,250,000)
Balance, June 30, 2023	-
<b>Warrants</b>	
Balance, December 31, 2021	-
Warrants received as consideration	18,000,000
<b>Balance, December 31, 2022</b>	<b>18,000,000</b>
Warrants disposed pursuant to sale	(18,000,000)
<b>Balance, June 30, 2023</b>	<b>-</b>

The following are the fair values of Pangenomic Health Inc.'s securities at December 31, 2022 and June 30, 2023:

	Pangenomic Health Inc.
	\$
<b>Common shares</b>	
Balance, December 31, 2021	-
Common shares received as consideration	3,600,000
Disposition of common shares to settle convertible debenture interest (Note 7)	(550,000)
Change in fair value of marketable securities	(1,262,634)
<b>Balance, December 31, 2022</b>	<b>1,785,366</b>
Sale of common shares	(1,785,366)
Balance, June 30, 2023	-
<b>Warrants</b>	
Balance, December 31, 2021	-
Warrants received as consideration	1,985,896
Change in fair value of marketable securities	846,623
<b>Balance, December 31, 2022</b>	<b>2,832,519</b>
Disposition of warrants	25,200
Realized loss of marketable securities	(2,807,319)
<b>Balance, June 30, 2023</b>	<b>-</b>

On January 4, 2023, the Company entered into share sale agreements with arms length parties and sold 15,250,000 common shares for gross proceeds of \$1,785,366, which approximated the fair value at December 31, 2022. As of June 30, 2023, the Company has collected \$500,000 from the disposition of these shares. During the period ended June 30, 2023, an expected credit loss provision of \$1,285,366 was recognized in relation to the other receivables and included on the statement of loss and comprehensive loss.

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On February 23, 2023, the Company entered into a purchase agreement with arms length parties to sell 18,000,000 warrants for gross proceeds of \$25,200. The proceeds for the sale were received during the period ended June 30, 2023. Upon the sale transactions, the Company recognized a realized loss on marketable securities of \$2,807,318.

**5. PREPAIDS AND DEPOSITS**

	June 30, 2023	December 31, 2022
	\$	\$
Research and development	828,566	1,032,065
Corporate development	747	835,577
Deposits	31,623	31,623
<b>Total</b>	<b>860,936</b>	<b>1,899,265</b>
<b>Short-term</b>	<b>400,769</b>	<b>1,220,349</b>
<b>Long-term</b>	<b>460,167</b>	<b>678,916</b>

**6. PROPERTY AND EQUIPMENT**

	Leasehold improvements	Equipment	Total
	\$	\$	\$
<b>Cost</b>			
Balance at December 31, 2021	227,362	356,812	584,174
Disposals	(227,362)	(332,162)	(559,524)
Foreign exchange	-	-	-
<b>Balance at December 31, 2022 and June 30, 2023</b>	<b>-</b>	<b>24,650</b>	<b>24,650</b>
<b>Accumulated depreciation</b>			
Balance, December 31, 2021	92,876	56,388	149,264
Depreciation	31,846	50,387	82,233
Disposals	(124,722)	(92,001)	(216,723)
<b>Balance, December 31, 2022</b>	<b>-</b>	<b>14,774</b>	<b>14,774</b>
Depreciation	-	<b>8,679</b>	<b>8,679</b>
<b>Balance, June 30, 2023</b>	<b>-</b>	<b>23,453</b>	<b>23,453</b>
<b>Net book values</b>			
December 31, 2022	-	<b>9,876</b>	<b>9,876</b>
<b>June 30, 2023</b>	<b>-</b>	<b>1,197</b>	<b>1,197</b>

As at December 31, 2022 and 2021, the Company did not recognize an impairment of property and equipment.

**7. CONVERTIBLE DEBENTURES**

On December 9, 2021, the Company closed a senior secured convertible debenture financing on a non-brokered private placement basis for gross proceeds of \$5,500,000. The debenture bears annual interest of 10%, matures in 36 months and the principal and interest are convertible into units (“conversion units”) at a conversion price of \$8.50, at the option of the debenture holder. Each conversion unit will consist of one (1) common share of the Company common share purchase warrant. Additionally, the Company issued 647,059 warrants which will entitle the holder to purchase one (1) additional common share of the Company at a price of \$8.50 per Warrant Share for a period of thirty-six (36) months from the issuance date.

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On May 19, 2023, the Company amended the conversion price of the convertible debentures and the exercise price of the debenture warrants. The conversion price of the convertible debenture and exercise price of the debenture warrants were amended from \$8.50 to \$0.35. All other terms of the convertible debenture and the debenture warrants remain unchanged. The amendment did not affect the carrying value of the conversion feature or warrants.

The convertible debenture is a compound financial instrument. Management estimated the fair value of the debt using a discount rate of 20% applicable to the Company's business, with the residual value allocated to the equity components of the convertible debenture. The Convertible Debenture has \$37,743 of deferred loan costs which are amortized over the life of the loan and are recorded in interest expense. For the year ended December 31, 2022, the Company recognized interest and accretion of \$892,672 (2021 - \$51,404) in relation to the convertible debentures issued in 2021.

The residual value was allocated between the warrants and the conversion feature using the relative fair value method. The Black Scholes Pricing Model was used to determine the fair value of the warrants. The inputs to the pricing model were a stock and exercise price of \$8.50, expected life of 3 years, volatility 149%, and risk-free rate of 0.17%. The Company utilized the Monte Carlo option model to estimate the fair value for the conversion feature. This resulted in an allocated value of \$918,604 to the warrants and \$240,756 to the conversion feature.

The following table reconciles the recorded value of the liability and the equity components of the convertible debentures at December 31, 2022 and June 30, 2023:

	Convertible debenture \$	Warrants issued with debenture – Contributed Surplus \$	Equity component of convertible debenture \$	Total \$
<b>Balance, December 31, 2021</b>	4,354,302	670,604	175,756	5,200,662
Interest and accretion expense	892,672	-	-	892,672
Interest settlement (Note 4)	(550,000)	-	-	(550,000)
<b>Balance, December 31, 2022</b>	4,696,974	670,604	175,756	5,543,334
Interest and accretion expense	472,531	-	-	472,531
<b>Balance, June 30, 2023</b>	5,169,505	670,604	175,756	6,015,865

On December 9, 2022, the Company disposed of 2,750,000 common shares of Pangenomic to the convertible debenture holder and settled an interest payable of \$550,000 (Note 4).

**8. NOTES PAYABLE**

On March 8, 2022, the Company entered into a secured note payable with an arms-length party for \$151,889 which bears a 5% interest rate annually and matures on March 7, 2023. The security interest in the Company includes certain current assets of the Company. During the period ended June 30, 2023, the Company recorded interest of \$2,005 (2022 - \$1,894). As at June 30, 2023, the note payable balance was \$85,263 (December 31, 2022 - \$85,204). On March 7, 2023, the Company defaulted on the note payable and the defaulted note payable bears interest of 12% interest per annum. The Company is in negotiation with the creditor to settle this note payable.

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**9. DERIVATIVE LIABILITIES**

The derivative liabilities consist of Mindleap's Anti-Dilution Securities for 1,590,909 shares. On February 16, 2023, the Company entered into a settlement agreement with the Anti-Dilution Securities holders and issued 666,667 common shares with a fair value of \$346,667 to settle this derivative liability.

	Mindleap Anti-dilution Securities \$
Balance, December 31, 2020	1,586,744
Issuance of common shares	(262,762)
Change in fair value of derivative liabilities	(43,688)
Balance, December 31, 2021	1,280,294
Issuance of common shares	(305,756)
Change in fair value of derivative liabilities	(627,871)
Balance, December 31, 2022	346,667
Shares issued to settle derivative liability	(346,667)
Balance, June 30, 2023	-

**10. SHARE CAPITAL AND CONTRIBUTED SURPLUS**

(a) Authorized: Unlimited common shares without par value

**Period ended June 30, 2023:**

Issued: common shares 26,457,471 (December 31, 2022 – 14,895,612 common shares)

On January 19, 2023, the Company completed a private placement and issued 1,182,795 common shares for gross proceeds of \$550,000.

On February 1, 2023, the Company completed a private placement and issued 1,397,849 common shares for gross proceeds of \$650,000.

On February 10, 2023, the Company completed a private placement and issued 1,397,849 common shares for gross proceeds of \$650,000.

On February 22, 2023, the Company completed a private placement and issued 1,397,849 common shares for gross proceeds of \$650,000.

On February 1, 2023, the Company issued 140,350 common shares with a fair value of \$77,193 and settled debt of \$80,000. The Company recorded a gain on settlement of debt of \$2,808.

On February 9, 2023, the Company issued 461,288 common shares with a fair value of \$276,773 and settled debt of \$268,540. The Company recorded a loss on settlement of debt of \$8,233.

On February 28, 2023, the Company issued 666,667 common shares with a fair value of \$346,666 and settled the Company's derivative liability in full.

On April 6, 2023, the Company completed a private placement and issued 1,340,206 common shares for gross proceeds of \$650,000.

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On April 12, 2023, the Company completed a private placement and issued 2,061,855 common shares for gross proceeds of \$1,000,000.

On May 29, 2023, the Company completed a private placement and issued 1,515,151 common shares for gross proceeds of \$500,000.

**Year ended December 31, 2022:**

On January 11 and 31, 2022, the Company issued 17,600 common shares upon the exercise of 17,600 Neuropharm performance warrants and reclassified an amount of \$431,482 from contributed surplus to share capital.

On March 16, 2022, the Company issued 53,175 anti-dilution common shares in relation to Mindleap's acquisition with a fair value of \$305,756.

On February 3, 2022, the Company issued 10,397 anti-dilution common shares in relation to Neuropharm's acquisition with a fair value of \$544,001 and reclassified an amount of \$544,001 from contributed surplus to share capital.

On March 30, 2022, the Company completed a private placement and issued 70,547 common shares for gross proceeds of \$333,333. The Company paid finder's fees of \$179,445 and professional costs of \$10,021.

On April 28, 2022, the Company completed a private placement and issued 1,254,396 common shares for gross proceeds of \$1,693,435. The Company paid finder's fees of \$267,780.

On May 27, 2022, the Company completed a private placement and issued 2,447,130 Units of the Company for gross proceeds of \$2,814,200. Each Unit consists of one common share and one share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one additional common share at a price of \$1.40 for a period of 5 years from the date of issuance. The fair value of the Warrants was \$318,127 using the residual method. The Company paid finder's fees of \$200,674. The Company issued 49,560 broker warrants and 121,739 advisory warrants with fair values of \$45,371 and \$111,448, respectively. The broker and advisory warrants entitle the holder to purchase one additional common share at a price of \$1.15 for a period of 5 years from the date of issuance. The fair value of the broker and advisory warrants was measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - \$1.02; exercise price - \$1.15; expected life - 5 years; volatility - 146%; dividend yield - Nil; and risk-free rate - 2.59%.

On August 16, 2022, the Company completed a private placement and issued 326,666 common shares for gross proceeds of \$245,000.

On September 16, 2022, the Company completed a private placement and issued 1,754,386 common shares for gross proceeds of \$1,000,000.

On November 1, 2022, the Company completed a private placement and issued 943,396 common shares for gross proceeds of \$500,000.

On November 28, 2022, the Company completed a private placement and issued 943,396 common shares for gross proceeds of \$500,000.

On December 7, 2022, the Company issued 950,263 common shares for gross proceeds of \$541,650 pursuant to debt settlements.

On December 9, 2022, the Company completed a private placement and issued 905,660 common shares for gross proceeds of \$480,000.

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*Stock Options*

The Company has adopted the 2021 Mydecine Equity Incentive Plan (the "Incentive Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with stock exchanges requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. Included in the Incentive Plan are provisions that provide that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company and that the number of common shares reserved for issuance pursuant to options granted to all consultants or persons conducting investing relations activities will not exceed 2% of the issued and outstanding common shares within any 12-month period. At the discretion of the Board of Directors of the Company, options granted under the Incentive Plan may have a maximum exercise term of 10 years from the date of grant, the term is set by the plan administrator. Vesting terms will be determined at the time of grant by the Board of Directors.

During the periods ended June 30, 2023 and 2022, the Company did not grant any stock options.

As at June 30, 2023, the Company had stock-options outstanding and exercisable enabling holders to acquire the following:

Number of Stock-Options	Exercise Price	Expiry Date
9,832	\$23.50	June 21, 2024
4,351	\$4.75	February 21, 2025
4,680	\$3.00	March 20, 2025
5,000	\$25.00	August 5, 2025
60,000	\$12.00	September 16, 2025
160,000	\$10.50	September 24, 2025
<b>243,863</b>		

A summary of the status of the Company's stock options outstanding and exercisable as at June 30, 2023 and changes during those periods is presented below:

	Number of Options Issued and Exercisable	Weighted Average Exercise Price
<b>Balance, December 31, 2021</b>	263,863	\$ 11.50
Expired/cancelled	(20,000)	(13.00)
<b>Balance, December 31, 2022 and June 30, 2023</b>	<b>243,863</b>	<b>\$ 11.45</b>

The stock options have a weighted average remaining life of 2.16 years.

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*Warrants*

As at June 30, 2023, the Company had warrants outstanding and exercisable enabling holders to acquire the following:

Number of Warrants Issued	Number of Warrants exercisable	Exercise Price	Expiry Date
23,000	23,000	variable	August 31, 2025
707,250	707,250	15.00	February 12, 2024
48,300	48,300	15.00	February 12, 2024
5,370	5,370	15.00	July 12, 2023
1,612	1,612	15.00	July 15, 2023
4,305	4,305	15.00	July 20, 2023
11,985	11,985	15.00	September 8, 2023
2,740	2,740	15.00	October 1, 2023
24,701	24,701	15.00	October 7, 2023
647,059	647,059	0.35	December 9, 2024
2,447,130	2,447,130	1.40	May 27, 2027
171,299	171,299	1.15	May 27, 2027
<b>4,094,751</b>	<b>4,094,751</b>		

A summary of the status of the Company's warrants outstanding and exercisable as at June 30, 2023 and December 31, 2022, and changes during those periods is presented below:

	Number of Warrants Issued	Weighted Average Exercise Price
<b>Balance, December 31, 2021</b>	1,830,114	20.53
Exercised warrants	(38,000)	-
Issued	2,618,429	1.38
Expired	(245,060)	(10.26)
<b>Balance, December 31, 2022</b>	<b>4,165,482</b>	<b>8.85</b>
Expired	(70,731)	(15)
<b>Balance, June 30, 2023</b>	<b>4,094,751</b>	<b>4,094,751</b>

**11. FINANCIAL INSTRUMENTS AND RISK FACTORS**

*Fair values*

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The fair value of transactions is classified according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs are other than quoted prices in Level 1 that are either directly or indirectly observable for the asset or liability.
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level.

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The following is an analysis of the Company's financial assets and liabilities at fair value as at June 30, 2023 and December 31, 2022.

<b>As at June 30, 2023</b>					
	Level 1		Level 2		Level 3
Cash	\$	40,458	\$	-	\$ -
Other receivables	\$	122,645	\$	-	\$ -
<b>Total financial assets</b>	<b>\$</b>	<b>163,103</b>	<b>\$</b>	<b>-</b>	<b>\$ -</b>
Notes payable	\$	-	\$	85,262	\$ -
Convertible debentures	\$	-	\$	5,169,505	\$ -
<b>Total financial liabilities</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>5,254,767</b>	<b>\$ -</b>
<b>As at December 31, 2022</b>					
	Level 1		Level 2		Level 3
Cash	\$	11,030	\$	-	\$ -
Marketable security	\$	1,785,366	\$	2,832,519	\$ -
Other receivables	\$	86,667	\$	-	\$ -
<b>Total financial assets</b>	<b>\$</b>	<b>97,697</b>	<b>\$</b>	<b>-</b>	<b>\$ -</b>
Notes payable	\$	-	\$	85,204	\$ -
Convertible debentures	\$	-	\$	4,696,974	\$ -
Derivative liabilities	\$	-	\$	346,667	\$ -
<b>Total financial liabilities</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>5,128,845</b>	<b>\$ -</b>

For the remaining financial assets and liabilities measured at amortized cost, the carrying values approximate the fair values of the financial instruments given their short-term maturity.

**Credit risk**

Credit risk is the risk of loss associated with a counter party's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. Cash is held with major financial institutions, from which management believes the risk of loss to be minimal.

On January 4, 2023, the Company entered into share sale agreements with arms length parties and sold 15,250,000 Pangenomic common shares for gross proceeds of \$1,785,366 (Note 4). As of June 30, 2023, the Company has collected \$500,000 from the disposition of these shares. During the period ended June 30, 2023, an expected credit loss provision of \$1,285,366 was recognized in relation to the other receivables and included on the statement of loss and comprehensive loss. The increase in the expected credit loss was a result of changes in the expected probability of default and loss given default percentage at June 30, 2023.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company's exposure to liquidity risk is dependent on raising of funds to meet commitments and sustain operations. The Company controls liquidity risk by management of working capital and cash flows. The Company ensures that sufficient funds are raised from private placements or loans to meet its operating requirements, after taking into account existing cash. The Company's cash is held in business accounts which are available on demand for the Company's business and are not invested in any asset-backed deposits or investments. All of the financial liabilities of the Company are due within 12 months of June 30, 2023, to the exception of the convertible debentures.



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Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. If interest rates decrease, the Company will generate smaller interest revenue. The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets. The Company is not susceptible to interest rate fair value risk on its convertible debentures and notes payable that bear fixed interest rates.

Currency risk

The Company is exposed to currency risk related to the fluctuation of foreign exchange rates and the degree of volatility of those rates. Currency risk is limited to the portion of the Company's business transactions and balances denominated in currencies other than the Canadian dollar. The Company performed a sensitivity analysis utilizing a 1% factor and concluded currency risk is not significant to the consolidated financial statements.

**12. RELATED PARTY TRANSACTIONS**

Key management includes directors, executive officers and officers which constitutes the management team. The Company paid or accrued compensation in form of consulting fees to companies controlled by directors, executive officers and officers as follows:

<i>Management Compensation</i>	2023	2022
	\$	\$
	Salary, bonus, and consulting fees	Salary, bonus, and consulting fees
<i>Period Ended June 30, 2023</i>	\$	\$
Director and management fees paid to the CEO of the Company	233,655	177,900
Director and management fees paid to the former CFO of the Company	33,400	147,900
Management fees paid to the COO	223,397	177,900
Management fees paid to other officers of the Company	416,767	473,700
Director fees	-	57,500
<b>Total</b>	<b>907,219</b>	<b>1,034,900</b>

During the period ended June 30, 2023, the Company has an accrual for deferred salary, bonuses, and compensation for \$1,470,834 (December 31, 2022- \$1,351,976) for the executive team and board directors included in accounts payable and accrued liabilities within the consolidated statement of financial position.

**13. COMMITMENTS**

For the period ended June 30, 2023, the Company has numerous agreements which have created both a short term and long commitments. These commitments consist of research contracts with universities, convertible debentures and note payables.

	2023	2024	2025	2026	Total
	\$	\$	\$	\$	\$
Convertible debenture (Note 7)	-	5,500,000	-	-	5,500,000
Note payable (Note 8)	85,262	-	-	-	85,262
Research and development contracts	1,778,000	1,613,000	1,613,000	1,613,000	6,617,000
<b>Total</b>	<b>1,863,262</b>	<b>7,113,000</b>	<b>1,613,000</b>	<b>1,613,000</b>	<b>12,202,262</b>

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The convertible debenture has interest on the outstanding principal amount of 10% per annum which is due on December 9, 2023 and 2024.

**14. ACCOUNTS PAYABLE**

	June 30, 2023	December 31, 2022
	\$	\$
Accounts payable	3,424,809	3,809,105
Amount due to related parties	1,222,676	1,351,976
Accrued liabilities	207,726	210,832
Total	4,855,211	5,371,913