

**MYDECINE INNOVATIONS GROUP INC.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND SEPTEMBER 30, 2020**  
**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>September 30, 2021</b>	<b>December 31, 2020 (audited)</b>
		<b>\$</b>	<b>\$</b>
<b>Current assets</b>			
Cash		1,593,516	2,190,702
Rent and other receivable	15	135,674	27,746
Inventory		41,268	47,262
Sales tax receivable		73,632	13,734
Prepays and deposits	4	3,782,180	216,003
<b>Total current assets</b>		<b>5,626,270</b>	<b>2,495,447</b>
<b>Non-current assets</b>			
Prepays and deposits	4	1,922,559	-
Investment in joint venture	5	158,432	303,982
Note receivable	7	327,536	316,110
Investment in associate	6	233,579	4,481,988
Right-of-use asset	11	154,347	223,645
Investment properties	9	1,419,347	1,418,345
Property and equipment	8	521,867	291,614
<b>Total assets</b>		<b>10,363,937</b>	<b>9,531,131</b>
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	15	1,315,927	1,187,486
Convertible debentures	10	272,740	2,959,755
Derivative liabilities	12	837,207	1,586,744
Lease liability – current portion	11	76,969	69,329
<b>Total current liabilities</b>		<b>2,502,843</b>	<b>5,803,314</b>
<b>Non-current liabilities</b>			
Long-term portion of lease liability	11	94,515	167,118
<b>Total liabilities</b>		<b>2,597,358</b>	<b>5,970,432</b>
<b>Shareholders' equity</b>			
Share capital	13	105,648,795	85,298,435
Contributed surplus	13	14,848,383	12,734,636
Equity portion of convertible debentures	10	17,190	254,690
Accumulated other comprehensive loss		(449,317)	(444,803)
Deficit		(112,298,472)	(94,282,259)
<b>Total shareholders' equity</b>		<b>7,766,579</b>	<b>3,560,699</b>
<b>Total liabilities and shareholders' equity</b>		<b>10,363,937</b>	<b>9,531,131</b>

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

**Subsequent events** (Note 18)

Approved on behalf of the Board on November 15, 2021

"David Joshua Bartch"

Director – David Joshua Bartch

"Larry Dean Ditto"

Chief Financial Officer-Larry Dean Ditto

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-month period ended,		For the nine-month period ended,	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Sales		73	17,158	21,278	43,391
Cost of goods sold		(35)	(21,153)	(10,032)	(31,829)
<b>Gross margin</b>		<b>38</b>	<b>(3,995)</b>	<b>11,246</b>	<b>11,562</b>
<b>Expenses</b>					
Finance cost		22,995	19,151	146,692	19,151
Corporate development		410,424	325,038	2,838,317	1,099,728
Amortization	11,8	47,572	61,886	126,767	128,926
Consulting fees	15	1,617,184	461,623	3,835,207	1,744,009
Director and management fees	15	454,215	186,520	1,286,723	367,622
Foreign exchange loss (gain)		(65,862)	(21,233)	249,746	(158,014)
Insurance		171,704	-	324,927	-
Office and miscellaneous		427,486	113,441	648,961	170,235
Share of losses (income) from investment in Joint Venture	5	28,503	-	136,604	-
Share of (income) from investment in Associate	6	45,056	(7,470)	86,808	(15,411)
Professional fees		179,130	43,255	1,529,599	143,088
Regulatory and filing fees		7,879	12,644	185,791	27,091
Research and development		1,265,610	433,408	2,587,740	434,791
Salaries		311,355	-	545,686	-
Share-based payments		-	3,715,421	-	4,725,174
<b>Total expenses</b>		<b>(4,923,251)</b>	<b>(5,343,684)</b>	<b>(14,529,568)</b>	<b>(8,686,360)</b>
<b>Other income (expenses)</b>					
Change in fair value of derivative liabilities	12	353,612	(740,434)	575,505	(740,434)
Impairment of investment in associate	6	-	-	(4,169,616)	-
Consideration paid in excess of net assets acquired from acquisition		-	(10,645,239)	-	(10,645,239)
Write-off of inventory		-	(458,921)	-	(458,921)
Other income		-	35	-	35
Rental income		33,073	45,293	98,539	141,715
Gain (loss) on settlement of debt	12	-	21,879	(2,319)	33,304
<b>Total other income (expenses)</b>		<b>386,685</b>	<b>(11,777,387)</b>	<b>(3,497,891)</b>	<b>(11,669,540)</b>
<b>Net loss for the period</b>		<b>(4,536,528)</b>	<b>(17,125,066)</b>	<b>(18,016,213)</b>	<b>(20,344,338)</b>
Foreign currency translation adjustment		44,114	(279,811)	(4,514)	(152,659)
<b>Net loss and comprehensive loss for the period</b>		<b>(4,492,414)</b>	<b>(17,404,877)</b>	<b>(18,020,727)</b>	<b>(20,496,997)</b>
<b>Net loss per share – Basic and diluted</b>		<b>(0.02)</b>	<b>(0.11)</b>	<b>(0.08)</b>	<b>(0.22)</b>
<b>Weighted average number of shares outstanding – Basic and diluted</b>		<b>240,222,065</b>	<b>152,596,239</b>	<b>228,662,632</b>	<b>95,039,381</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 Loss	Deficit	Shareholders' Equity
<b>Balance, December 31, 2019</b>		33,438,205	\$ 6,236,182	\$ 7,239,998	\$ -	\$ (444,421)	\$ (67,333,314)	\$ 1,828,445
Private placement	13	60,908,420	4,690,373	-	-	-	-	4,690,373
Non-cash share issuance costs	13	345,500	(891,114)	891,114	-	-	-	-
Shares issued for investment in joint venture	5	4,500,000	395,010	-	-	-	-	395,010
Shares issued for investment in associate	6	28,000,000	4,160,240	-	-	-	-	4,160,240
Shares issued for acquisition of 1220611B.C. Ltd.	13	17,000,000	2,210,000	-	-	-	-	2,210,000
Issuance of finders shares for acquisition of 1220611B.C. Ltd.	13	1,360,000	176,800	-	-	-	-	176,800
Shares issued for acquisition of MindLeap Health	13	6,363,636	2,513,636	-	-	-	-	2,513,636
Shares issued for acquisition of NeuroPharm	13	9,000,000	4,860,000	-	-	-	-	4,860,000
Shares issued for NeuroPharm anti-dilution securities	13	1,426,764	1,299,441	(1,299,441)	-	-	-	-
Performance warrants issued to NeuroPharm	13	-	-	980,640	-	-	-	2,752,572
NeuroPharm's anti-dilution clause	13	-	-	2,752,572	-	-	-	980,640
Exercise of warrants	13	96,250	8,532	(3,721)	-	-	-	4,811
Shares issued for debt	13	324,137	76,172	-	-	-	-	76,172
Obligation to issue shares	13	-	-	-	3,658	-	-	3,658
Share-based compensation	13	-	-	2,986,783	-	-	-	2,986,783
Foreign currency translation adjustment		-	-	-	-	(152,659)	-	(152,659)
Net loss for the period		-	-	-	-	-	(20,344,338)	(20,344,338)
<b>Balance, September 30, 2020</b>		<b>162,762,912</b>	<b>\$ 81,865,272</b>	<b>\$ 13,547,945</b>	<b>\$ 3,658</b>	<b>\$ (597,080)</b>	<b>\$ (87,677,652)</b>	<b>\$ 7,142,143</b>
<b>Balance, December 31, 2020</b>		<b>176,734,102</b>	<b>\$ 85,298,435</b>	<b>\$ 12,734,636</b>	<b>\$ 254,690</b>	<b>\$ (444,803)</b>	<b>\$ (94,282,259)</b>	<b>\$ 3,560,699</b>
Bought deal, net of share issuance cost	13	34,500,000	14,420,196	912,708	-	-	-	15,332,904
Non-cash share issuance cost	13	862,500	(1,967,059)	1,967,059	-	-	-	-
Warrants exercised	13	13,812,280	4,523,515	(766,020)	-	-	-	3,757,495
Conversion of convertible debentures	13	14,798,960	3,050,106	-	(237,500)	-	-	2,812,606
Shares issued for debt settlements	13	92,654	45,400	-	-	-	-	45,400
Shares issued for services	13	449,710	104,170	-	-	-	-	104,170
MindLeap Health Inc.'s – anti dilution clause	12	440,587	174,032	-	-	-	-	174,032
Foreign currency translation adjustment		-	-	-	-	(4,514)	-	(4,514)
Net loss for the period		-	-	-	-	-	(18,016,213)	(18,016,213)
<b>Balance, September 30, 2021</b>		<b>241,690,793</b>	<b>\$ 105,648,795</b>	<b>\$ 14,848,383</b>	<b>\$ 17,190</b>	<b>\$ (449,317)</b>	<b>\$ (112,298,472)</b>	<b>\$ 7,766,579</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)**

<b>For the nine-months ended,</b>	<b>Note</b>	<b>September 30, 2021</b>	<b>September 30, 2020</b>
<b>Cash flows used in</b>			
<b>Operating activities</b>			
Net loss for the period		\$ (18,016,213)	\$ (20,344,338)
Items not affecting cash:			
Amortization	11,8	126,767	128,926
Finance cost		146,692	19,181
Change in fair value of derivative liability	12	(575,505)	740,434
Consideration paid in excess of net assets acquired from acquisition		-	10,645,239
Foreign exchange gain (loss)		9,668	14,406
Loss (gain) on settlement of debts	12	2,319	(33,304)
Shares issued for services	15	104,170	-
Share of losses from investment in Joint Venture	5	136,604	-
Share of losses (income) from investment in Associate	6	87,132	(15,411)
Impairment of investment in Associate	6	4,169,616	-
Write-off of inventory		-	458,921
Share-based payments		-	4,725,174
		<b>(13,808,750)</b>	<b>(3,660,802)</b>
<b>Changes in non-cash working capital items:</b>			
Rent and other receivables		(104,818)	(55,045)
Prepays and deposits		(5,505,707)	(731,489)
Inventory		6,028	1,129
Sales taxes receivable		(59,898)	-
Accounts payable and accrued liabilities		174,561	619,203
<b>Cash used in operating activities</b>		<b>(19,298,584)</b>	<b>(3,827,004)</b>
<b>Investing activities</b>			
Proceeds from loan receivable		-	12,015
Increase in note receivable		(12,061)	-
Purchases of property and equipment	8	(292,949)	(251,024)
Cash acquired from acquisition of Mindleap		-	91,701
Cash acquired from acquisition of NeuroPharm		-	411,458
Internally generated intangible asset		-	(306,058)
Lease payments	11	(84,462)	(75,004)
<b>Net cash used in investing activities</b>		<b>(389,472)</b>	<b>(116,912)</b>
<b>Financing activities</b>			
Proceeds from bought deal, net of share issuance cost	13	15,332,904	4,690,373
Options exercised		-	3,658
Warrants exercised	13	3,757,495	4,811
<b>Net cash provided from financing activities</b>		<b>19,090,399</b>	<b>4,698,842</b>
Foreign exchange on cash		471	(152,659)
<b>Increase in cash during the period</b>		<b>(597,186)</b>	<b>602,267</b>
<b>Cash, beginning of the period</b>		<b>2,190,702</b>	<b>18,209</b>
<b>Cash, end of the period</b>		<b>\$ 1,593,516</b>	<b>\$ 620,476</b>
<b>Supplemental Cash Flow Information</b>			
Interest paid		\$ -	\$ -
Taxes paid		\$ -	\$ -

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

**MYDECINE INNOVATIONS GROUP INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**  
**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, clinical trials of Psilocybin products internationally, and a telehealth application through its subsidiary MindLeap Health. 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.

On March 10, 2021, the Company entered into an amended and restated arrangement agreement (“Arrangement Agreement”) with a newly-incorporated wholly-owned subsidiary (“SpinCo”). The purpose of the spin-out into SpinCo will be, among other things, to permit Mydecine Innovations Group Inc to comply with NASDAQ listing qualification requirements and comparable London Stock Exchange requirements regarding cannabis assets as the Company continues its listing review process with NASDAQ. Management believes that holding the U.S. cannabis assets and cannabis-related projects in a separate company removes an unintended obstacle to its planned NASDAQ and London Stock Exchange listings and the expected benefits that such listings will provide the Company and its shareholders.

Under the terms of the Arrangement Agreement, the Company will transfer its US Cannabis Companies (which includes the investment in Alternative Distribution, the investment in Trellis Holdings Oregon OP, LLC, Drink Fresh Water, LLC, Tealief Brands, LLC, Relyfe Brands, LLC and We Are Kured, LLC) to SpinCo in consideration for common shares of SpinCo. The shares will then be distributed to the Company’s shareholders on a pro rata basis. Mydecine’s shareholders will own shares of both Mydecine and SpinCo. Upon closing of the Arrangement, SpinCo will be owned exclusively by existing shareholders of Mydecine Innovations Group, Inc., keeping their identical proportion to their pre-Arrangement shareholdings of the Company. Upon completion of the Arrangement, Mydecine Innovations Group, Inc. principal business will focus on the development and commercialization of solutions for treating mental health problems through its psilocybin research and development and it will no longer be involved in the manufacturing or sale of cannabis and CBD products.

The Arrangement is subject to, among other things, the approval of the Supreme Court of British Columbia, the approval by the Mydecine shareholders at a special meeting. On September 24, 2021, the shareholders of the Company approved the spin-out. On October 1, 2021, the Company received regulatory approval and proceeded to complete the Arrangement Agreement with all cannabis assets, investment, liabilities, and operations spun-out to SpinCo.

As at September 30, 2021, the Company has an accumulated deficit of \$112,298,472 (December 31, 2020 - \$94,282,259), cash of \$1,593,516 (December 31, 2020 - \$2,190,702), and working capital of \$3,123,427 (December 31, 2020 - deficit of \$3,307,867). 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 consolidated financial statements.

**MYDECINE INNOVATIONS GROUP INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED STATEMENTS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**  
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**EXPRESSED IN CANADIAN DOLLARS**

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**2. BASIS OF PREPARATION**

**Statement of Compliance**

These condensed interim consolidated financial statements were approved and authorized for issuance by the Company's Board of Directors on November 15, 2021.

These condensed interim consolidated financial statements are unaudited and have been prepared in accordance with IAS 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB have been condensed or omitted and therefore, these condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2020.

**Basis of Measurement**

These 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.

**Functional Currency**

All figures presented in the condensed interim consolidated financial statements are reflected in Canadian dollars; however, the functional currency of the Company includes the Canadian dollar and the US dollar. The Company, NeuroPharm Inc. and MindLeap Health Inc's functional currency is the Canadian dollar whereas the remainder of the Company's subsidiaries' functional currency is 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.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Significant Accounting Policies**

In preparing these condensed interim consolidated interim financial statements, the significant accounting policies and

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, 2020.

The preparation of the condensed interim consolidated financial statements requires that the Company's management make judgments and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual future outcomes could differ from present estimates and judgments, potentially having material future effects on the Company's condensed interim consolidated financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

**Intangible Assets**

Expenditures related to research activities are recognized as an expense in the period in which they are incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, the entity can demonstrate all of the following:

- a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) its intention to complete the intangible asset and use or sell it;
- c) its ability to use or sell the intangible asset;
- d) how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs are capitalized once the above criteria are met. Where no internally generated intangible asset can be recognized, development expenditures are expensed in the period in which they are incurred. Expenditures recovered related to internally developed intangible assets are deducted from the capitalized development costs in the period in which they are recovered.

After initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Once an internally generated intangible asset becomes available for use, expenditures are no longer capitalized to the intangible. Internally generated intangible assets that are available for use are amortized on a straight-line basis over their estimated useful life of five years, and an impairment loss is recognized in profit or loss when their recoverable amount is less than their net carrying amount. Internally generated intangible assets that are under development are not amortized and are reviewed for impairment annually by comparing the carrying amount with its recoverable amount. An impairment loss is recognized in profit or loss when the recoverable amount is less than the net carrying amount.

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**4. PREPAIDS AND DEPOSITS**

	September 30, 2021	December 31, 2020
	\$	\$
Research and development	3,626,432	-
Corporate development	366,487	52,500
Advisory and public relations services	584,109	63,274
Land deposit	-	66,170
Insurance	368,235	-
Deferred share issuance costs associated with spin-out	652,123	-
Deposits	107,353	34,059
<b>Total</b>	<b>5,704,739</b>	<b>216,003</b>
<b>Short-term</b>	<b>3,782,180</b>	<b>216,003</b>
<b>Long-term</b>	<b>1,922,559</b>	<b>-</b>

**5. INVESTMENT IN JOINT VENTURE**

On April 27, 2020, the Company acquired 50% of Alternative Distribution Company LLC (“Alternative Distribution”) via a share swap agreement (“Share Swap Agreement”) and issued 4,500,000 common shares with a fair value of \$395,010, based on a level 1 input. Alternative Distribution operates in Texas, U.S. and is a distributor of alternative products, including CBD products. The Company provides strategic funding and direction to Alternative Distribution.

Based on the terms of the Share Swap Agreement, management has determined that Alternative Distribution meets the definition of a joint venture. Accordingly, the investment is accounted for using the equity method in these condensed interim consolidated financial statements.

	\$
Opening balance, December 31, 2019	-
4,500,000 common shares issued for Joint Venture	395,010
Share of losses from investment in Joint Venture	(93,035)
Foreign exchange gain	2,007
Ending balance, December 31, 2020	303,982
Share of losses from investment in Joint Venture	(136,604)
Foreign exchange loss	(8,946)
Ending balance, September 30, 2021	158,432

The following table summarizes the relevant financial information of the Company’s investment in joint venture and reflects the amounts presented in the financial statements of Alternative Distribution Company:

	September 30, 2021
	\$
Cash	2,688
Current assets	36,969
Non-current assets	479,956
Current financial liabilities	(227,947)
Non-current financial liabilities	(765,148)
Depreciation	109,722
Interest expense	16,453

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**5. INVESTMENT IN JOINT VENTURE (CONTINUED)**

For the period ended September 30, 2021, Alternative Distribution Company reported revenues of \$902,055 and expenses of \$1,191,924, totalling a net loss of \$289,869 on its financial statements. As described in Notes 1 and 18, on October 1, 2021, the Company completed their Arrangement Agreement and spin-off the investment in joint venture to SpinCo.

**6. INVESTMENT IN ASSOCIATE**

On May 5, 2020, the Company acquired 37.5% of the issued and outstanding share capital of Trellis Holdings Oregon Op LLC (“Trellis”). Trellis has operated since 2015 and operates in the medical and recreational cannabis markets in the U.S. The Company issued 28,000,000 common shares with a fair value of \$4,160,240, based on a level 1 input. At September 30, 2021 and December 31, 2020, the Company held 37,500 units of Trellis, representing an ownership of 37.5%. The Company provides strategic funding and advice to Trellis.

*Impairment of investment in associate*

During the nine months ended September 30, 2021, Trellis operations was significantly impacted by price reductions from over-supply in their market, reduction of working capital, and funding to assist in the expansion of their business. The Company considered these facts and circumstances which indicated the investment in Trellis is impaired and recorded \$4,169,616 impairment loss in its consolidated statements of operations and comprehensive loss.

The company utilized the value-in-use approach to estimate the business enterprise value which provided a greater recoverable amount than the Fair Value Less Cost to Dispose (FVLCD). The calculation of value-in-use was based on the following key assumptions.

- Cashflow projection included estimates for five years with a growth rate of 13% based on current market conditions and past experiences.
- Trellis used a 20% present value factor at a weight average cost of capital for the farm and 30% present value factor at a weight average cost of capital for the retail operations.

The values assigned to the key assumptions represent management’s assessment of future trends in the cannabis industry and are on both external and internal sources. A reasonable change in any of the inputs will not cause a significant change recoverable amount.

Management has determined that Trellis meets the definition of an equity associate. Accordingly, the investment is accounted for using the equity method in these condensed interim consolidated financial statements. The following table summarizes the investment in associate:

	\$
Opening balance, December 31, 2019	-
28,000,000 shares issued for investment in Associate	4,160,240
Proportionate share of rental income	(70,000)
Share of reported net income	426,635
Foreign exchange loss	(34,887)
Ending balance, December 31, 2020	4,481,988
Proportionate share of rental income	(59,123)
Share of reported net loss	(86,808)
Cash advance	53,166
Foreign exchange loss	13,972
Impairment of investment in associate	(4,169,616)
Ending balance, September 30, 2021	233,579

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**6. INVESTMENT IN ASSOCIATE (CONTINUED)**

For the period from May 6, 2020 to September 30, 2020, Trellis reported revenues of \$1,359,497 and expenses of \$1,318,322, totalling net income of \$41,175.

The following table summarizes the financial information of the Company's associate and reflects the amounts presented in the consolidated financial statements of Trellis, amended in accordance with the accounting policies of the Company.

	September 30, 2021
	\$
Current assets	1,433,175
Non-current assets	59,881
Current liabilities	(1,838,651)
Non-current liabilities	-
Depreciation	98,125
Interest expense	28,188

As described in Notes 1 and 18, on October 1, 2021, the Company completed their Arrangement Agreement and spin-off the investment in associate to SpinCo.

**7. NOTE RECEIVABLE**

On October 21, 2020, the Company entered into a secured promissory note with Alternative Distribution Company, LLC for \$250,000 USD with annual interest of 4% with monthly payments. In accordance with the note receivable agreement, the first payment with principal and interest was deferred until January 19, 2021 and continuing until maturity on January 9, 2023. The note receivable is secured by the canning line which was purchased with the proceeds of the loan. As at September 30, 2021, the loan receivable has a balance of \$327,536.

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**8. PROPERTY AND EQUIPMENT**

	Leasehold improvements	Equipment	Total
	\$	\$	\$
<b>Cost</b>			
<b>Balance, December 31, 2019</b>	-	23,960	23,960
Additions	216,584	76,087	292,671
Disposal		(6,553)	(6,553)
Foreign exchange		(1,810)	(1,810)
<b>Balance, December 31, 2020</b>	216,584	91,684	308,268
Additions	10,778	255,461	266,239
Foreign exchange	-	11,113	11,113
<b>Balance, September 30, 2021</b>	<b>227,362</b>	<b>358,258</b>	<b>585,620</b>
<b>Accumulated amortization</b>			
<b>Balance, December 31, 2019</b>	-	17,706	17,704
Amortization	-	1,057	1,057
Disposal	-	(2,109)	(2,107)
<b>Balance, December 31, 2020</b>	-	<b>16,654</b>	<b>16,654</b>
Amortization	27,153	19,946	47,099
<b>Balance, September 30, 2021</b>	<b>27,153</b>	<b>36,600</b>	<b>63,753</b>
<b>Net book values</b>			
<b>December 31, 2020</b>	<b>216,584</b>	<b>75,030</b>	<b>291,614</b>
<b>September 30, 2021</b>	<b>200,209</b>	<b>321,658</b>	<b>521,867</b>

**9. INVESTMENT PROPERTIES**

The Company owns investment properties located in Oregon, U.S. During the period ended September 30, 2021, the Company recognized rental income and expenses of \$142,691 and \$Nil, respectively. The fair value of the Company's property assets is estimated based on an income capitalization. As at September 30, 2021, the fair value of the property was estimated to be approximately US\$1,114,000 (CAD - \$1,419,347) (December 31, 2020 – US\$1,114,000 (CAD - \$1,418,345)). As at September 30, 2021, there are no contractual obligations. The Company's properties are rented to a related party (Note 15).

	Total
	\$
<b>Balance, December 31, 2019</b>	1,316,983
Change in fair value	134,147
Foreign exchange	(32,785)
<b>Balance, December 31, 2020</b>	1,418,345
Change in fair value	-
Foreign exchange	1,002
<b>Balance, September 30, 2021</b>	<b>1,419,347</b>

As described in Notes 1 and 18, on October 1, 2021, the Company completed their Arrangement Agreement and spun-off the investment properties to SpinCo.

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**10. CONVERTIBLE DEBENTURES**

During the year ended December 31, 2020, the Company closed a senior secured convertible debentures financing on a non-brokered private placement basis for gross proceeds of \$4,700,000. The debentures bear annual interest of 10%, mature in 12 months and the principal and interest are convertible into units (“conversion units”) at a conversion price of \$0.20, at the option of the debenture holder. Each conversion Unit will consist of one (1) common share of the Company and one common share purchase warrant. Each warrant will entitle the holders to purchase one (1) additional common share of the Company at a price of \$0.30 per Warrant Share for a period of twenty-four (24) months from the Maturity Date.

The following table reconciles the recorded value of the liability and the equity components of the convertible debentures:

	Convertible debenture \$	Equity component of convertible debenture \$	Total \$
<b>Balance, December 31, 2019</b>	-	-	-
Additions	4,308,333	391,667	4,700,000
Accretion expense	158,201	-	158,201
Conversion of convertible debentures	(1,506,779)	(136,977)	(1,643,756)
<b>Balance, December 31, 2020</b>	2,959,755	254,690	3,214,445
Accretion expense	125,591	-	125,591
Conversion of convertible debentures	(2,812,606)	(237,500)	(3,050,106)
<b>Balance, September 30, 2021</b>	272,740	17,190	289,930

The convertible debentures are compound financial instruments. Management estimated that 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 component of the convertible debenture.

**11. RIGHT-OF-USE ASSET AND LEASE LIABILITIES**

The Company’s primary leases consist of a research and development facility and an office space. The Company used an incremental borrowing rate of 15%.

The following is a continuity schedule of right-of-use assets for the period ended September 30, 2021 and year ended December 31, 2020:

	Research and development facility \$	Office lease \$	Total \$
Right-of-use assets			
<b>Balance, December 31, 2019</b>	-	69,305	69,305
Addition	296,642	-	296,642
Depreciation	(56,023)	(39,324)	(95,347)
Foreign exchange	(16,974)	(231)	(17,205)
Lease termination	-	(29,750)	(29,750)
<b>Balance, December 31, 2020</b>	223,645	-	223,645
Depreciation	(60,570)	-	(60,570)
Foreign exchange	(8,728)	-	(8,728)
<b>Balance, September 30, 2021</b>	154,347	-	154,347

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**11. RIGHT-OF-USE ASSET AND LEASE LIABILITIES (CONTINUED)**

The following is a continuity schedule of lease liabilities for the period ended September 30, 2021 and year ended December 31, 2020:

	Research and development facility	Office lease	Total
Lease liabilities	\$	\$	\$
<b>Balance, December 31, 2019</b>	-	62,381	62,381
Additions	296,642	-	296,642
Interest	21,677	6,620	28,297
Payments	(64,414)	(46,825)	(111,239)
Foreign exchange	(17,458)	5,034	(12,424)
Lease termination	-	(27,210)	(27,210)
<b>Balance, December 31, 2020</b>	236,447	-	236,447
Interest	16,381	-	16,381
Payments	(67,500)	-	(67,500)
Foreign exchange	(13,844)	-	(13,844)
<b>Balance, September 30, 2021</b>	171,484	-	171,484
Less: current portion	76,969	-	76,969
Non-current portion	94,515	-	94,515

The undiscounted lease liabilities are as follows:

<b>Period ended September 30, 2021</b>	<b>\$</b>
2021	28,667
2022	114,669
2023	47,779
<b>Total lease payments</b>	<b>191,065</b>

**12. DERIVATIVE LIABILITIES**

- a) The derivative liabilities consist of MindLeap's Anti-Dilution Securities. The Company is obligated to issue additional common shares ("Mindleap Anti-Dilution Securities") subject to certain conditions. Each Mindleap Anti-Dilution Security is exercisable to acquire common shares on the Mindleap Release Dates, for no additional consideration, in the event the volume-weighted average closing price of the Company's common shares on the NEO Exchange in the 20 trading days prior to the Mindleap Release Dates is less than \$0.55. This contingent consideration was accounted for as a derivative liability and revalued at period end. During the nine-months ended September 30, 2021, the Company issued 440,587 anti-dilution common shares with a fair value of \$174,032, based on level 1 inputs. The number of shares to be issued are variable.

	MindLeap Anti-dilution Securities \$
<b>Balance, December 31, 2019</b>	-
Additions per business combination	2,131,938
Change in fair value of derivative liabilities	(545,194)
<b>Balance, December 31, 2020</b>	<b>1,586,744</b>
Issuance of common shares	(174,032)
Change in fair value of derivative liability	(575,505)
<b>Balance, September 30, 2021</b>	<b>837,207</b>

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**12. DERIVATIVE LIABILITIES (CONTINUED)**

The fair value of the derivative liability at September 30, 2021 was estimated using the Monte Carlo pricing model and the following assumptions:

- Risk free interest rate: 0.97%
- Volatility: 109.03%
- Market price of common shares: \$0.335

- b) The Company entered into a definitive bonus share agreement (“Bonus Share”) providing for the issuance of up to an additional 9,750,000 common shares to designated officers, employees, and consultants of MindLeap upon the achievement of the following milestones (“Milestones”):
- 500,000 common shares if MindLeap signs 100 revenue generating clinic partners by the end of 2021;
  - 250,000 common shares if MindLeap generates \$250,000 in revenue for 2020;
  - 1,000,000 common shares if MindLeap signs up 1,000 specialists that are also actually engaged and paid subscribers generating revenue by 2021;
  - 3,000,000 common shares if MindLeap generates \$5,000,000 in revenue in 2021; and
  - 5,000,000 common shares if MindLeap generates \$10,000,000 in revenue in 2021.

As at December 31, 2020 and September 30, 2021, the fair value of the Bonus Shares was \$Nil as the probability of meeting the Milestones was low.

**13. SHARE CAPITAL AND CONTRIBUTED SURPLUS**

- (a) Authorized: Unlimited common shares without par value

**Period ended September 30, 2021:**

Issued: common shares 241,690,793 (December 31, 2020: 176,734,102 common shares)

During the nine-months ended September 30, 2021, the Company issued 13,812,280 common shares pursuant to warrant exercises for gross proceeds of \$3,757,495. The Company transferred \$766,020 from reserves to share capital.

During the period ended September 30, 2021, the Company issued 92,654 common shares with a fair value of \$45,400 to settle debt of \$43,081 and recorded a gain on settlement of debt of \$2,319.

On March 4, 2021, the Company issued 440,587 anti-dilution common shares with a fair value of \$174,032, which was transferred from derivative liability to share capital.

During the period ended September 30, 2021, the Company issued 14,798,960 common shares pursuant to the conversion of convertible debt of \$2,812,606. The Company transferred \$237,500 from equity component of convertible debentures to share capital.

During the period ended September 30, 2021, the Company issued 449,710 common shares, pursuant to various employment and consulting agreements, as compensation for services with a fair value of \$104,170.

On February 8, 2021, the Company completed a bought-deal financing and issued 34,500,000 Units for gross proceeds of \$17,250,000. Each Unit consists of one common share of the Company and one common share purchase warrant.

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**13. SHARE CAPITAL AND CONTRIBUTED SURPLUS (CONTINUED)**

**Period ended September 30, 2021 (Continued)**

Each Warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.70 per Warrant Share for a period of 36 months. The Company paid share issuance cost of \$1,917,097, issued 862,500 Finance Fee Units (“Finance Unit”). Using the residual method, the Company allocated \$912,708 to contributed surplus. Each Finance Unit consists of one common share and one share purchase warrant (“Finance Warrant”). Each Finance Warrant is exercisable to acquire one additional common share at any time until February 12, 2024, at an exercise price of \$0.70 per warrant. The fair value of the Finance Unit was measured using a the Black-Scholes option pricing model with a fair value of \$288,960 with the following assumptions: stock price - \$0.52; exercise price - \$0.70; expected life – 3 years; volatility – 120%; dividend yield – Nil; and risk-free rate - \$0.59. In addition, the Company issued 2,415,000 Broker Warrants (“Broker Warrant”). The fair value of the Broker Warrants was measured at \$1,690,477. The Broker Warrants were measured using the Monte Carlo option pricing model with the following assumptions: stock price - \$0.52; exercise price - \$0.70; expected life – 3 years; volatility – 120%; dividend yield – Nil; and risk-free rate - \$0.59.

**Period ended September 30, 2020:**

On April 27, 2020, the Company acquired 50% of Levee Street Holdings. As consideration, the Company issued 4,500,000 common shares at fair value of \$395,010.

On April 30, 2020, the Company acquired 100% of Mydecine and issued 17,000,000 common shares with a fair value of \$2,210,000 and 1,360,000 finder common shares with a fair value of \$176,800.

On May 5, 2020, the Company acquired 37.5% of Trellis by issuing 28,000,000 common shares of the Company at fair value of \$4,160,240.

On May 7, 2020, the Company completed a private placement and issued 52,908,420 common shares for gross proceeds of \$2,645,421. The Company paid finder’s fees of \$71,419, issued 1,183,000 finder warrants, exercisable at \$0.05 and expire on May 7, 2021. The grant date fair value of the finder warrants was measured at \$237,513. The warrants were measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - \$0.24; exercise price - \$0.05; expected life - 1 years; volatility – 151%; dividend yield - Nil; and risk-free rate – 0.32%.

On June 19, 2020, the Company completed a private placement and issued 8,000,000 units for gross proceeds of \$2,400,000. Each unit consists of one common share and one half of one share purchase warrant. Each whole warrant can be exercised into one additional common share at a price of \$0.50 per share for a period of 2 years. The Company paid finder’s fees of \$283,629, issued 345,500 finder common shares, 172,750 finder warrants exercisable at \$0.50 and expire on September 19, 2022. The fair value of the finder' warrants was measured at \$117,649. The finder warrants were measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - \$0.85; exercise price - \$0.50; expected life - 2 years; volatility – 157%; dividend yield - Nil; and risk-free rate – 0.27%. In connection with the private placement that closed on September 19, 2020, the Company issued 560,000 agent’s compensation options which can be exercised into units of the Company at a price of \$0.30 per unit for a period of 2 years. Each unit has the same terms as the private placement units. The fair value of the agent’s compensation options was measured at \$535,931. The agent’s options were measured using the Monte Carlo pricing model with the following assumptions: stock price - \$0.85; exercise price (warrant one) - \$0.30; exercise price (warrant two) - \$0.50; expected life - 2 years; volatility – 120%; dividend yield - Nil; and risk-free rate – 0.30%.

On August 20, 2020, the Company issued 6,363,636 common shares with a fair value of \$1,967,291 to acquire 100% of Mindleap.

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**13. SHARE CAPITAL AND CONTRIBUTED SURPLUS (CONTINUED)**

**Period ended September 30, 2020 (Continued)**

On August 28, 2020, the Company issued 9,000,000 common shares with a fair value of \$3,693,600 to acquire 100% of NeuroPharm. In connection with the acquisition of NeuroPharm, on September 12, 2020, the Company issued 1,426,764 anti-dilution shares with a fair value of \$413,762.

During the nine-month period ended September 30, 2020, the Company issued 324,137 common shares with a fair value of \$76,172 to settle debt of \$109,476 and recorded a gain on settlement of debt of \$33,304.

During the nine-month period ended September 30, 2020, the Company issued 96,250 common shares pursuant to warrant exercises for gross proceeds of \$4,811. The Company re-allocated \$3,721 from contributed surplus to share capital.

**Escrowed Shares**

As at December 31, 2020 and September 30, 2021, there are 2,523,340 common shares held in escrow and will be released pursuant to the following schedule:

18 months from the MindLeap Closing Date	¼ of escrowed securities
24 months from the MindLeap Closing Date	¼ of escrowed securities

**(b) Stock Options**

The Company has adopted an incentive stock option plan (the "Option Plan") dated July 31, 2021 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 Option 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 Option Plan can have a maximum exercise term of 5 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

During the period ended September 30, 2021, the Company issued the following stock options:

During the period ended September 30, 2020, the Company issued the following stock options:

On February 21, 2020, the Company granted 217,533 stock options at an exercise price of \$0.095 per option with a term of five years expiring February 21, 2025. The grant date fair value of the options was measured at \$16,145. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - \$0.10; exercise price - \$0.10; expected life - 5 years; volatility - 98%; dividend yield - Nil; and risk-free rate - 1.34%.

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**13. SHARE CAPITAL AND CONTRIBUTED SURPLUS (CONTINUED)**

(b) Stock Options (Continued)

On March 17, 2020, the Company granted 2,400,000 stock options with an exercise price of \$0.06 and term of 5 years expiring on March 17, 2025. The grant date fair value of the options was measured at \$127,804. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - \$0.07; exercise price - \$0.06; expected life - 5 years; volatility – 100%; dividend yield - Nil; and risk-free rate – 0.77%.

On March 20, 2020, the Company granted 234,000 stock options with an exercise price of \$0.07 and term of 5 years expiring on March 20, 2025. The grant date fair value of the options was measured at \$15,670. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - \$0.07; exercise price - \$0.07; expected life - 5 years; volatility – 187%; dividend yield - Nil; and risk-free rate – 0.73%.

On August 5, 2020, the Company granted 250,000 stock options with an exercise price of \$0.50 and term of 5 years expiring on August 5, 2025. The grant date fair value of the options was measured at \$124,838. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - \$0.50; exercise price - \$0.49; expected life - 5 years; volatility – 287%; dividend yield - Nil; and risk-free rate – 0.28%.

On August 26, 2020, the Company granted 500,000 stock options with an exercise price of \$0.40 and term of 1 years expiring on August 26, 2021. The grant date fair value of the options was measured at \$115,853. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - \$0.40; exercise price - \$0.40; expected life - 1 years; volatility – 161%; dividend yield - Nil; and risk-free rate – 0.23%.

On September 16, 2020, the Company granted 3,000,000 stock options with an exercise price of \$0.24 and term of 5 years expiring on September 16, 2025. The grant date fair value of the options was measured at \$703,808. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - \$0.24; exercise price - \$0.24; expected life - 5 years; volatility – 185%; dividend yield - Nil; and risk-free rate – 0.33%.

On September 24, 2020, the Company granted 8,000,000 stock options with an exercise price of \$0.21 and term of 5 years expiring on September 24, 2025. The grant date fair value of the options was measured at \$1,535,412. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - \$0.20; exercise price - \$0.21; expected life - 5 years; volatility – 184%; dividend yield - Nil; and risk-free rate – 0.33%.

On September 24, 2020, the Company granted 750,000 stock options with an exercise price of \$0.21 and term of 1 year expiring on September 24, 2021. The grant date fair value of the options was measured at \$89,561. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - \$0.20; exercise price - \$0.21; expected life - 1 year; volatility – 171%; dividend yield - Nil; and risk-free rate – 0.22%.

On September 30, 2020, the Company granted 1,000,000 stock options with an exercise price of \$0.26 and term of 5 years expiring on September 30, 2025. The grant date fair value of the options was measured at \$243,283. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - \$0.25; exercise price - \$0.26; expected life - 5 years; volatility – 183%; dividend yield - Nil; and risk-free rate – 0.33%.

During the period ended September 30, 2020, the Company cancelled 5,034,664 stock options with an exercise price ranging from \$0.06 to \$9.00.

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**13. SHARE CAPITAL AND CONTRIBUTED SURPLUS (CONTINUED)**

(b) Stock Options (Continued)

As at September 30, 2021, the Company had stock-options outstanding and exercisable enabling holders to acquire the following:

Number of Stock-Options	Exercise Price	Expiry Date
491,624	\$0.47	June 21, 2024
217,533	\$0.095	February 21, 2025
234,000	\$0.06	March 20, 2025
250,000	\$0.50	August 5, 2025
3,000,000	\$0.24	September 16, 2025
8,000,000	\$0.21	September 24, 2025
1,000,000	\$0.26	September 30, 2025
100,000	\$0.30	October 8, 2021
13,293,157	\$0.23	

A summary of the status of the Company's stock options outstanding and exercisable as at September 30, 2021 and December 31, 2020, and changes during those periods is presented below:

	Number of Options Issued and Exercisable	Weighted Average Exercise Price
<b>Balance, December 31, 2019</b>	3,126,288	\$ 0.46
Granted	16,351,533	0.23
Expired/cancelled	(5,034,664)	(0.33)
<b>Balance, September 30, 2020</b>	14,443,157	\$ 0.24
<b>Balance, December 31, 2020</b>	14,343,157	0.24
Expired/cancelled	(1,050,000)	(0.30)
<b>Balance, September 30, 2021</b>	13,293,157	\$ 0.24

The stock options have a weighted average remaining life of 3.88 years.

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**13. SHARE CAPITAL AND CONTRIBUTED SURPLUS (CONTINUED)**

(c) Warrants

As at September 30, 2021, 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
4,090,250	4,090,250	\$0.50	June 19, 2022
560,000	560,000	\$0.50	June 19, 2022
7,602,740	7,602,740	\$0.30	December 4, 2022
7,700,000	2,300,000	variable	September 25, 2025
1,538,473	1,538,473	0.30	January 26, 2023
258,493	258,493	0.30	February 16, 2023
362,178	362,178	0.30	February 19, 2023
1,195,370	1,195,370	0.30	March 8, 2023
182,048	182,048	0.30	March 11, 2023
35,362,500	35,362,500	0.70	February 12, 2024
2,415,000	2,415,000	0.50	February 12, 2024
268,493	268,493	0.30	July 12, 2023
80,610	80,610	0.30	July 15, 2021
215,233	215,233	0.30	July 20, 2021
599,274	599,274	0.30	September 8, 2023
<b>62,430,662</b>	<b>57,030,662</b>		

A summary of the status of the Company's warrants outstanding and exercisable as at September 30, 2021 and December 31, 2020, and changes during those periods is presented below:

	Number of warrants Issued	Weighted Average Exercise Price
<b>Balance, December 31, 2019</b>	86,001	6.75
Issued	14,290,115	0.34
Exercised	(96,250)	(0.05)
Expired	(86,001)	6.75
<b>Balance, September 30, 2020</b>	14,193,865	0.34
<b>Balance, December 31, 2020</b>	30,890,472	\$ 0.22
Issued	52,576,480	0.58
Exercised	(15,653,630)	0.24
Expired	(5,382,660)	0.30
<b>Balance, September 30, 2021</b>	62,430,662	0.51

As at September 30, 2021, the Company has 862,500 Finance Units with an exercise price of \$0.70 and 2,415,000 Broker Warrants with an exercise price of \$0.50 which are incorporated above. The Finance Units and Broker Warrants expire on February 12, 2024.

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**14. FINANCIAL INSTRUMENTS AND RISK FACTORS**

(a) 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 number 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.

The following is an analysis of the Company's financial assets and liabilities at fair value as at September 30, 2021 and December 31, 2020.

<b>As at September 30, 2021</b>				
		Level 1	Level 2	Level 3
Cash	\$	1,593,516	\$ -	\$ -
Rent and other receivables		135,674	-	-
Note receivable		327,536		
<b>Total financial assets</b>		<b>\$ 2,056,726</b>	<b>\$ -</b>	<b>\$ -</b>
Accounts payable and accrued liabilities	\$	1,315,927	\$ -	\$ -
Lease liability		-	171,484	-
Convertible debentures		-	272,740	-
Derivative liabilities		-	837,207	-
<b>Total financial liabilities</b>	<b>\$</b>	<b>1,315,927</b>	<b>\$ 1,281,431</b>	<b>\$ -</b>
<b>As at December 31, 2020</b>				
		Level 1	Level 2	Level 3
Cash	\$	2,190,702	\$ -	\$ -
Rent receivable		27,746	-	-
Note receivable		316,110		
<b>Total financial assets</b>	<b>\$</b>	<b>2,534,558</b>	<b>\$ -</b>	<b>\$ -</b>
Accounts payable and accrued liabilities	\$	1,187,486	\$ -	\$ -
Lease liability		-	236,447	-
Convertible debentures		-	2,959,755	-
Derivative liabilities		-	1,586,744	-
<b>Total financial liabilities</b>	<b>\$</b>	<b>1,187,486</b>	<b>\$ 4,782,946</b>	<b>\$ -</b>

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**14. FINANCIAL INSTRUMENTS AND RISK FACTORS (CONTINUED)**

(b) 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, rent and other receivable, and note receivable. The Company has no significant concentration of credit risk arising from operations. Cash is held with major financial institutions, from which management believes the risk of loss to be minimal. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

(c) 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 to the exception of lease liabilities.

(c) 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 debenture that bear fixed interest rates.

(d) 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 United States dollar.

**15. RELATED PARTY TRANSACTIONS**

The Company incurred the following related party transactions, with associated persons or corporations as follows:

- a) Key management includes directors, executive officers and officers which constitutes the management team. The Company paid or accrued compensation, to companies controlled by directors, executive officers and officers as follows:

<i>Management Compensation</i>	
<i>Period Ended September 30, 2021</i>	
	\$
Director and management fees paid to the CFO of the Company	121,780
Director and management fees paid to a former director of the Company	97,422
Director and management fees paid to the CEO of the Company	257,919
Management fees paid to the COO	297,649
Management fees paid to other officers of the Company	513,359
Fees paid or accrued to the CEO of MindLeap	230,160
<b>Total</b>	<b>1,518,289</b>

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**15. RELATED PARTY TRANSACTIONS (CONTINUED)**

<i>Management Compensation</i>	
<i>Period ended September 30, 2020</i>	
	\$
Director and management fees paid to a director of the Company	119,835
Director and management fees paid to a former director of the Company	68,874
Director and management fees paid to the CEO of the Company	113,727
Management fees paid to the COO	65,186
Share based compensation	1,580,448
<b>Total</b>	<b>1,948,070</b>

As at September 30, 2021, accounts payable and accrued liabilities were due to related parties of \$144,325 (December 31, 2020 - \$116,311).

The Company has a rent receivable of \$105,108 (December 31, 2020 - \$27,746) from Trellis as at September 30, 2021 and during the period ended September 30, 2021, the Company recorded rental income from Trellis for \$142,691.

The Company has an account receivable of \$14,855 (December 31, 2020 - \$Nil) from Alt Distribution as at September 30, 2021 and during the period ended September 30, 2021, the Company recorded sales revenue from Alt Distribution for \$14,722 (December 31, 2020 - \$Nil).

**16. SEGMENT INFORMATION**

The Company operates within two geographic areas, Canada and U.S.

	Canada	U.S.	Total
	\$	\$	\$
<b>September 30, 2021</b>			
Revenue	-	21,278	21,278
	-	21,278	21,278
<b>September 30, 2020</b>			
Revenue	-	43,391	43,391
	-	43,391	43,391
As at September 30, 2021			
Total non-current assets	2,750,046	2,693,000	5,443,046
As at December 31, 2020			
Total non-current assets	-	7,035,684	7,035,684

**17. COMMITMENTS**

As at September 30, 2021, the Company is committed to pay an arm's length university for research and development of psilocybin based on the following schedule:

Years	\$
2021	364,590
2022	2,437,260
Greater than 3 years	4,267,000
<b>Total</b>	<b>7,068,850</b>

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**18. SUBSEQUENT EVENTS**

*Spin-out*

As described in Note 1, on October 1, 2021, the Spin-out of the cannabis assets and cannabis -projects were removed from Mydecine Innovations Group. As at September 30, 2021, the Company has \$652,123 of prepaid costs associated with the Spin-out in prepaids, within the statement of financial position, which will be released to contributed surplus upon execution of the Spin-out.

*Settlement of Debt*

On October 25, 2021, the Company announced that its Board approved the settlement of a principal amount of \$116,419 in debt for services rendered through the issuance of common shares (the “Debt Settlement”). Pursuant to the Debt Settlement, the Company issued 369,583 common shares of the Company at a deemed price of \$0.315 per share. All securities issued in connection with the Debt Settlement are subject to a statutory hold period which will expire on the date that is four months and one day from the date of issuance.

*Issuance of options and stock*

During October 2021, the Company has granted 314,333 options and 90,222 shares of stock to employees, consultants, and board directors in accordance with their respective agreements.