MYDECINE INNOVATIONS GROUP INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in Canadian dollars)

Independent Auditor's Report

MNP S.E.N.C.R.L./s.r.l.

To the Shareholders of Mydecine Innovations Group Inc.:

Opinion

We have audited the consolidated financial statements of Mydecine Innovations Group Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and December 31, 2020, and the consolidated statements of loss and comprehensive loss, consolidated statements of shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company had an accumulated deficit and, during the year ended December 31, 2021, incurred a net loss and has negative cash flows from operations. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jo-Ann Lempert.

MNP SENCRL, srl [1]

Montréal, Québec

March 31, 2022

[1] FCPA auditor, FCA, public accountancy permit no. A122514

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

As at,	Note	December 31, 2021 $	December 31, 2020 $
Current assets			
Cash		**1,495,311**	2,190,702
Accounts receivable		**3,856**	27,746
Inventory		**-**	47,262
Sales tax receivable		**201,060**	13,734
Prepaids and deposits	**5**	**3,521,125**	216,003
Total current assets		**5,221,352**	2,495,447
Non-current assets			
Prepaids and deposits	**5**	**1,793,894**	-
Investment in joint venture	**7**	**-**	303,982
Loan receivable, net	**12**	**-**	316,110
Investment in associate	**8**	**-**	4,481,988
Right-of-use asset	**14**	**130,546**	223,645
Investment properties	**13**	**-**	1,418,345
Property and equipment	**10**	**434,910**	291,614
Total assets		**7,580,702**	9,531,131
Current liabilities			
Accounts payable and accrued liabilities	**18**	**1,587,238**	1,187,486
Convertible debentures, net	**13**	**-**	2,959,755
Derivative liabilities	**15**	**1,280,294**	1,586,744
Lease liability – current portion	**14**	**79,728**	69,329
Total current liabilities		**2,369,383**	5,803,314
Non-current liabilities			
Convertible debentures, net	**13**	**4,354,302**	-
Lease liability	**14**	**67,821**	167,118
Total liabilities		**7,369,383**	5,970,432
Shareholders' equity			
Share capital	**16**	**107,662,388**	85,298,435
Contributed surplus	**16**	**17,288,315**	12,734,636
Equity portion of convertible debentures	**16**	**175,756**	254,690
Accumulated other comprehensive loss		**-**	(444,803)
Deficit		**(124,915,140)**	(94,282,259)
Total shareholders' equity		**211,319**	3,560,699
Total liabilities and shareholders' equity		**7,580,702**	9,531,131

Nature and continuance of operations (Note 1)

Subsequent events (Note 24)
Commitments and contingencies (Note 23)

Approved on behalf of the Board on March 31, 2021

"David Joshua Bartch" ***"Larry Dean Ditto"***

Director – David Joshua Bartch Chief Financial Officer – Larry Dean Ditto

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

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

	Note	For the years ended, December 31, 2021	December 31, 2020
Sales		**7,493**	2,617
Cost of goods sold		**-**	-
Gross margin		**7,493**	2,617
Expenses			
Finance cost	**13,14**	**205,267**	182,866
Corporate development		**3,401,645**	2,259,956
Depreciation	**10,14**	**235,177**	57,080
Consulting fees		**5,220,556**	3,381,726
Director and management fees	**19**	**1,346,468**	539,347
Foreign exchange loss		**355,671**	111,251
Insurance		**511,501**	-
Office and miscellaneous		**925,568**	292,070
Professional fees		**2,216,950**	934,135
Regulatory and filing fees		**349,777**	201,818
Research and development		**3,960,232**	1,290,548
Salaries	**19**	**1,424,012**	17,584
Share-based payments	**16, 19**	**3,099,743**	2,487,509
Total expenses		**23,252,567**	11,755,890
Other income (expenses)			
Change in fair value of derivative liabilities	**15**	**43,688**	545,194
Consideration paid in excess of net assets acquired from acquisition		**-**	(10,645,239)
Impairment of goodwill and intangible assets		**-**	(5,031,967)
Impairment of loan receivable	**12**	**(382,902)**	-
Other expenses		**-**	(24,025)
Gain on settlement of debt	**16**	**1,377**	33,304
Total other income (expenses)		**(337,837)**	(15,122,733)
Loss from continuing operations		**(23,582,911)**	(26,876,006)
Loss from discontinued operations	**1**	**(5,314,488)**	(72,939)
Net loss for the year		**(28,897,399)**	(26,948,945)
Foreign currency translation adjustment		**-**	(382)
Net loss and comprehensive loss for the year		**(28,897,399)**	(26,949,327)
Net loss per share – Basic and diluted from continuing operations		**(0.12)**	(0.24)
Weighted average number of shares outstanding – Basic and diluted		**234,086,043**	113,714,260

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

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

	Note	Number of Shares	Share Capital	Contributed Surplus	Equity Component of Convertible Debentures	Accumulated Other Comprehensive Loss	Deficit	Shareholders' Equity
Balance, December 31, 2019		33,438,205	$ 62,366,182	$ 7,239,998	$ -	$ (444,421)	$ (67,333,314)	$ 1,828,445
Private placement	16	60,908,420	4,690,373	-	-	-	-	4,690,373
Non-cash share issuance costs	16	345,500	(891,114)	891,114				
Shares issued for investment in joint venture	7	4,500,000	395,010	-	-	-	-	395,010
Shares issued for investment in associate	8	28,000,000	4,160,240	-	-	-	-	4,160,240
Shares issued for acquisition of Mydecine	4	18,360,000	2,386,800	-	-	-	-	2,386,800
Shares issued for acquisition of Mindleap Health	6	6,363,636	2,513,636	-	-	-	-	2,513,636
Shares issued for acquisition of NeuroPharm	4	9,000,000	4,860,000	-	-	-	-	4,860,000
Shares issued for NeuroPharm anti-dilution securities	16	1,426,764	1,299,441	(1,299,441)	-	-	-	-
Shares issued to settle debt	16	4,008,920	923,672	-	-	-	-	923,672
NeuroPharm's anti-dilution clause	4	-	-	2,752,572	-	-	-	2,752,572
Performance warrants issued to NeuroPharm	4	-	-	980,640	-	-	-	980,640
Exercise of warrants	16	2,071,150	884,556	(293,873)	-	-	-	590,683
Exercise of options	16	200,000	65,883	(23,883)	-	-	-	42,000
Conversion of convertible debt	13	8,111,507	1,643,756	-	(136,977)	-	-	1,506,779
Equity component of convertible debt	13	-	-	-	391,667	-	-	391,667
Share-based compensation	16	-	-	2,487,509	-	-	-	2,487,509
Foreign currency translation adjustment		-	-	-	-	(382)	-	(382)
Net loss for the year		-	-	-	-	-	(26,948,945)	(26,948,945)
Balance, December 31, 2020		**176,734,102**	**$ 85,298,435**	**$ 12,734,636**	**$ 254,690**	**$ (444,803)**	**$ (94,282,259)**	**$ 3,560,699**
					-	-	-	
Bought deal, net of cash share issuance cost	16	34,500,000	15,332,904	-	-	-	-	15,332,904
Non-cash share issuance cost	16	862,500	(2,576,710)	2,576,710	-	-	-	-
Warrants exercised	16	14,242,280	4,979,513	(1,222,018)	-	-	-	3,757,495
Conversion of convertible debentures	16	16,171,015	3,341,197	-	(254,690)	-	-	3,086,507
Shares issued for debt settlements	16	622,237	233,123	-	-	-	-	233,123
Share-based compensation	16	15,896,116	-	3,099,743	-	-	-	3,099,743
Shares issued for services	16	289,710	104,170	-	-	-	-	104,170
Mindleap Health Inc.'s – anti dilution clause	16	665,220	262,762	-	-	-	-	262,762
Shares issued for NeuroPharm Inc. anti-dilution securities	16	946,820	373,994	(373,994)	-	-	-	-
Spin- out of US cannabis subsidiaries and investments	1	-	-	(197,366)	-	-	(1,735,482)	(1,932,848)
Equity component of convertible debenture	13	-	-	918,604	240,756	-	-	1,159,360
Deferred tax impact of convertible debentures	13	-	313,000	(248,000)	(65,000)	-	-	-
AOCI transferred to profit and loss on spin-out	1	-	-	-	-	444,803	(444,803)	-
Net loss for the year (excluding recycled AOCI)		-	-	-	-	-	(28,452,596)	(28,452,596)
Balance, December 31, 2021		**260,930,000**	**$ 107,662,388**	**$ 17,288,315**	**$ 175,756**	**$ -**	**$ (124,915,140)**	**$ 211,319**

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

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

For the years ended,	Note	December 31, 2021	December 31, 2020
Cash flows used in			
Operating activities			
Net loss for the period from continuing operations		$ **(23,582,911)**	$ (26,876,006)
Items not affecting cash:			
Depreciation	10,14	**235,177**	57,080
Finance cost	13,14	**205,267**	182,866
Change in fair value of derivative liability	15	**(43,688)**	(545,194)
Consideration paid in excess of net assets acquired from acquisition		-	10,645,239
Unrealized for foreign exchange gain		**74,894**	107,840
Gain on settlement of debts	16	**(1,377)**	(33,304)
Share-based compensation	16,19	**3,099,743**	2,487,509
Shares issued for services	16	**104,170**	-
Impairment of goodwill and intangibles	9,20	-	5,031,967
Impairment of loan receivables	12	**382,902**	-
Changes in operating activities from operations		**(19,525,823)**	(8,492,003)
Changes in operating activities from discontinued operations	1	**66,792**	30,365
Changes in operating activities		**(19,459,031)**	(8,911,638)
Changes in non-cash working capital items:			
Accounts receivable		**(3,856)**	-
Prepaids and deposits		**(5,099,016)**	(80,684)
Sales taxes receivable		**(187,326)**	(6,113)
Accounts payable and accrued liabilities		**696,739**	1,874,143
Cash used in operating activities		**(24,052,490)**	(7,124,292)
Investing activities			
Proceeds from loan receivable		-	12,015
Cash advance to joint venture		-	(314,023)
Cash advance to associate		**(69,264)**	-
Purchases of property and equipment	10	**(291,502)**	(292,672)
Cash acquired from acquisition of Mindleap		-	92,267
Cash acquired from acquisition of NeuroPharm		-	411,458
Internally generated intangible asset		-	(112,391)
Funds advanced to Mindleap		-	(250,000)
Lease termination payment		-	(10,186)
Lease payments	14	**(112,815)**	(109,889)
Net cash used in investing activities		**(473,581)**	(573,421)
Financing activities			
Proceeds from bought deal, net of cash share issuance cost	16	**15,332,904**	4,690,373
Proceeds from convertible debenture	13	**5,500,000**	4,700,000
Loan repayment		-	(100,000)
Options exercised		-	42,000
Transaction costs for spin-out	1	**(721,977)**	-
Deferred loan costs	13	**(37,742)**	-
Warrants exercised	16	**3,757,495**	590,683
Net cash provided from financing activities		**23,830,680**	9,923,056
Foreign exchange on cash		-	(52,850)
Increase in cash during the year		**(695,391)**	2,225,343
Cash, beginning of the year		**2,190,702**	18,209
Cash, end of the year		$ **1,495,311**	$ 2,190,702
Supplemental Cash Flow Information			
Interest paid		$ -	$ -
Taxes paid		$ -	$ -

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

1. NATURE AND CONTINUANCE OF OPERATIONS

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.

As at December 31, 2021, the Company has an accumulated deficit of $124,915,140 (December 31, 2020 - $94,282,259), net loss from continuing operations of $23,582,911 (December 31, 2020- $26,876,006) and negative cash from operating activities of $24,052,490 (December 31, 2020- $7,124,292). 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 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.

Spin-out of US cannabis subsidiaries and investments

On October 1, 2021, the Company completed the spin-out of all its cannabis subsidiaries and investments to ALT House Cannabis Inc. ("ALT House") pursuant to the amended and restated arrangement agreement ("Arrangement Agreement") between the Company and ALT House. The purpose of the spin-out into ALT House was, among other things, to remove all of the cannabis assets and liabilities from the Company and permit the Company to comply with listing qualification requirements for senior stock exchanges in the United States and other comparable requirements regarding cannabis assets.

Under the terms of the Arrangement Agreement, the Company transferred its US cannabis companies (which included the investment in Alternative Distribution Company LLC, the investment in Trellis Holdings Oregon OP, LLC, Drink Fresh Water, LLC, Tealief Brands, LLC, Relyfe Brands, LLC and We Are Kured, LLC) to ALT House in consideration for common shares of ALT House. The shares were then distributed to the Company's shareholders on a pro rata basis. Upon closing of the spin-out transaction, ALT House was owned exclusively by existing shareholders of Mydecine Innovations Group Inc., keeping their identical proportion to their pre-arrangement shareholdings of the Company.

ALT House and the Company do not share a controlling shareholder or shareholder group, as a result this transaction was accounted for in accordance with IFRIC 17 *Distribution of Non-cash Assets to Owners*. The Company recognized the distribution of net assets to the Company's shareholders at fair value with the difference between that value and the carrying amount of the net assets recorded to the consolidated statements of loss and comprehensive loss. The Company engaged a third- party valuation expert to determine the fair value of all its spun-out cannabis assets. The spin-out transaction impacted the Company's consolidated financial statements as follows:

EXPRESSED IN CANADIAN DOLLARS

1. NATURE AND CONTINUANCE OF OPERATIONS (continued)

	As at October 1, 2021 $
Net assets	
Cash	74
Accounts receivable	148,967
Inventory	41,268
Investment in joint venture (Note 7)	172,329
Investment in associate (Note 8)	170,704
Investment properties (Note 11)	1,419,347
Accounts payable and accrued liabilities	(190,000)
Carrying amount prior spin-out	**1,762,689**
Fair value adjustments (i)	(551,818)
Fair-value of assets disposed at spin-out	**1,210,871**
Transaction costs	**721,977**
Contributed surplus adjustment	**(197,366)**
Net distribution to owners on spin-out	**1,735,482**

(i) The fair value adjustments of the spin-out included:

	As at October 1, 2021 $
Fair-value adjustments:	
Accounts receivable	(148,967)
Inventory	(41,268)
Investment in joint venture (Note 7)	(172,329)
Investment in associate (Note 8)	(170,704)
Fair value change of investment property (Note 11)	(18,550)
Total fair value adjustments	(551,818)

EXPRESSED IN CANADIAN DOLLARS

1. NATURE AND CONTINUANCE OF OPERATIONS (continued)

Discontinued Operations

The spin-out of the cannabis assets also meets the definition of a discontinued operation per IFRS 5 *Non-current assets held for sale and discontinued Operations*, below are the results of discontinued operations for the years ended December 31, 2021 and 2020:

		For the years ended December 31,	
		2021	2020
		$	$
Sales		21,278	55,873
Cost of goods sold		(10,032)	(37,370)
Gross margin		**11,246**	18,503
Share of losses from investment in Joint Venture	(Note 7)	(136,604)	(93,035)
Share of income (loss) from investment in associate	(Note 8)	(86,808)	426,635
Other expenses		(38,656)	(188,873)
Total operating expenses		**(262,068)**	144,727
Loss on lease termination		**-**	(27,097)
Rental income		102,571	115,702
Inventory write-off		-	(458,921)
Fair value adjustment on investment properties		-	134,147
Impairment on investment in associate (Note 8)		(4,169,616)	-
Fair value adjustments on spin-out		(551,818)	-
AOCI transferred to profit and loss on spin-out		(444,803)	
Loss on discontinued operations		**(5,314,488)**	(72,939)
Net loss per share- Basic and diluted for discontinued operations		**($0.02)**	($0.001)
Weighted average number of shares outstanding – Basic and diluted		**228,662,632**	113,714,260

EXPRESSED IN CANADIAN DOLLARS

1. NATURE AND CONTINUANCE OF OPERATIONS (continued)

Cash flow of discontinued operations:

	For the years ended December 31,	
	2021	2020
	$	$
Cash flows used in		
Operating activities		
Net loss for the period from discontinuing operations	-5,314,488	-72,939
Items not affecting cash:		
Depreciation	-	33,119
Inventory impairment	-	458,921
Change in fair value of spin-out	551,818	-
Fair value change of investment property	-	-134,147
Loss on termination of lease	-	27,097
Gain on settlement of debts	-	-3,075
Impairment of investment in associate (Note 8)	4,169,616	-
AOCI transferred to profit and loss on spin-out	444,803	-
Share of losses from investment in Joint Venture (Note 7)	136,604	93,035
Share of income (loss) from investment in associate	86,808	-356,635
Changes in operating activities from operations	**75,161**	**45,376**
Changes in non-cash working capital items:		
Accounts receivable	-11,449	-27,746
Inventory	-	766
Accounts payable and accrued liabilities	3,080	11,969
Cash used in operating activities	**66,792**	**30,365**

2. BASIS OF PRESENTATION

Statement of compliance

These 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 consolidated financial statements were approved and authorized for issuance by the Company’s Board of Directors on March 31, 2022.

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.

2. BASIS OF PRESENTATION (continued)

Functional currency

All figures presented in the consolidated financial statements are reflected in Canadian dollars The Company, NeuroPharm Inc. and Mindleap Health Inc's. 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 consolidated financial statements from the date that control commences until the date that control ceases. As at December 31, 2021, the following is a list of the Company's operating subsidiaries:

Name		Jurisdiction of incorporation	Interest
Mindleap Health Inc.	(Note 6)	Canada	100%
Mydecine Group (1220611 BC Ltd)	(Note 4)	Canada	100%
NeuroPharm Inc.	(Note 4)	Canada	100%

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

3. SIGNIFICANT ACCOUNTING POLICIES

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 probably.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Discontinued operations are presented on a single line of the 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 consolidated statements of cash flows for the periods presented.

Equity accounted investments

Equity accounted investments are those entities in which the Company has significant influence but does not have control over the financial and operating policies of the investees. Significant influence is presumed to exist when the Company holds between 20 percent and 50 percent of the voting power of another entity. Joint arrangement entities are those over which the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial, and operating decisions. Joint ventures are joint arrangements whereby the parties have joint control of the arrangement and have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for by the equity method, whereby the original cost of the investment is adjusted for the Company's share of earnings or losses less dividends since significant influence was acquired. When net accumulated losses from an equity accounted investment exceed its carrying amount, the investment balance is reduced to $nil and additional losses are not provided for unless the Company is committed to provide other financial support to the investee. The Company resumes accounting for its portion of income (loss) of the investment when the entity subsequently reports net income and the Company's share of that net income exceeds the share of net losses not recognized during the period the equity method was suspended.

Profits or losses resulting from transactions between the Company and its associates are eliminated to the extent of the interest in the associate. The Company determines at each reporting date whether there is objective evidence that the investments in associates are impaired. The financial statements of associates are prepared for the same reporting period as the Company. Where necessary adjustments are made to bring the accounting policies of associates in line with those of the Company.

As at October 1, 2021, the Company spun-out the cannabis assets and any investments in cannabis-related operations, as discussed in Note 1 above. For the period before the spin-out, the Company accounted for the following joint venture interests using the equity method :

Name	Jurisdiction	Interest
Trellis Holdings LLC.	US	37.5%
Alternative Distribution LLC (Formerly, Levee Street Holdings LLC.)	US	50%

As at December 31, 2021, the Company does not have any equity method investments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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. Costs which do not meet the above criteria will be expensed through research and development in the consolidated statements of loss and comprehensive loss.

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 asset. 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.

Financial instruments

The Company adopted all the requirements of IFRS 9 Financial Instruments on January 1, 2018. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model.

The following is the Company's accounting policy for financial instruments under IFRS 9:

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive loss ("FVTOCI") or at amortized cost. The Company determines the classification of financial instruments at initial recognition. The classification of instruments is driven by the Company's business model for managing the financial instruments and their contractual cash flow characteristics.

The following table shows the classifications under IFRS 9:

Financial assets/liabilities	**Classification under IFRS 9**
Cash and accounts receivable	Amortized cost
Loan receivable	Amortized cost
Deposits	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Convertible debentures	Amortized cost
Derivative liability	FVTPL
Contingent consideration	FVTPL

Financial instruments

<u>*Measurements*</u>

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the period in which they arise.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss and comprehensive loss.

Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers (“IFRS 15) specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. The Company’s accounting policy for revenue recognition under IFRS 15 is to follow a five-step model to determine the amount and timing of revenue to be recognized:

1. Identifying the contract with a customer
2. Identifying the performance obligations within the contract
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Cannabis and CBD revenue recognition

For the year ended December 31, 2020 and for the nine-months ended September 30, 2021, the Company generated revenue from the sale of CBD and hemp products. Revenue is recognized when the Company transfers control of the good to the customer. Control of the product transfers at a point in time either upon shipment to or receipt by the customer, depending on the contractual terms. The Company recognizes revenue in an amount that reflects the consideration that the Company expects to receive considering any variation that may result from rights of return.

Mindleap revenue recognition

The Company recognises revenue through its subsidiary Mindleap from two sources which include membership fees and specialist sessions:

-Sale of monthly membership amount for each month in accordance with the listed price on hosting platforms. The monthly membership fees allow the customer to maneuver throughout the applications and receive access to enhanced content. The customer can elect to receive billings monthly or pay an entire year with a yearly discount.

-Sale of a specialist session through the time discretion of the specialist. The specialist will provide self-help services to the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue is measured based on the listed prices on hosting platforms. The Company recognizes both the membership and specialist sessions when services are performed by the Company.

Property and equipment

The Company records property and equipment at cost less accumulated depreciation and accumulated impairment losses. The Company recognizes depreciation to write off the cost of assets less their residual values over their useful lives, using the following methods and rates:

Leasehold improvements – over lease term

Equipment – 5 years

Right-of-use assets – straight-line over term of lease

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss. Where an item of property and equipment and deferred costs consist of major components with different useful lives, the components are accounted for as separate items of property and equipment and deferred expenditures. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Investment property

The Company uses the cost method to account for real estate classified as investment properties. A property is determined to be an investment property when it is principally held either to earn rental income or for capital appreciation, or both. Investment properties also include properties that are under development or redevelopment for future use as investment property. Investment properties are initially measured at cost including transaction costs, or at fair value if acquired in a business combination. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are included in net income during the years in which they arise.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting years. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received. When stock options are exercised, the amount initially recognized in contributed surplus is transferred to share capital, along with the additional consideration received upon exercise.

Inventory

Inventory is valued at the lower of cost and net realizable value. The Company's inventory is comprised of CBD products, and purchased finished goods for resale. The cost of inventory is calculated using the weighted average method and comprises all costs of purchase necessary to bring the goods to sale. Net realizable value represents the estimated selling price for products sold in the ordinary course of business less the estimated costs necessary to make the sale. Management uses the most reliable evidence available in determining the net realizable value of inventories. Actual selling prices may differ from estimates, based on market conditions at the time of sale. Allowances are made against obsolete or damaged inventory and charged to cost of sales. The reversal of any write-down of inventory arising from increase in the net realizable value is recognized as a reduction of cost of sales in the period in which the reversal occurred.

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash generating unit (“CGU”) or group of CGUs which are expected to benefit from the synergies of the combination. Goodwill is not subject to amortization.

The goodwill balance is assessed for impairment annually or when facts and circumstances indicate that it is impaired. Goodwill is tested for impairment at a CGU level by comparing the carrying value to the recoverable amount, which is determined as the greater of fair value less costs of disposal and value in use. Any excess of the carrying amount over the recoverable amount is the impaired amount. The recoverable amount estimates are categorized as Level 3 according to the fair value hierarchy. Impairment charges are recognized in the consolidated statements of loss and comprehensive loss . Goodwill is reported at cost less any accumulated impairment. Goodwill impairments are not reversed.

Impairment of long-lived assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

For the purpose of testing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit, or "CGU"). An impairment loss is recognized for the amount, if any, by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and the value in use (being the present value of expected future cash flows of the asset or CGU). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been previously recognized, with the exception of goodwill.

Leases

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease is recognized as a right-of-use asset and corresponding liability at the commencement date. Lease liabilities represent the net present value of fixed lease payments (including in-substance fixed payments); variable lease payments based on an index, rate, or subject to a fair market value renewal condition; amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if it is probable that the lessee will exercise that option.

The Company's lease liability is recognized net of lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the expected lease term, including renewal and termination options that the Company is reasonably certain to exercise.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in office and miscellaneous expenses in the consolidated statements of loss and comprehensive loss. Short term leases are defined as leases with a lease term of twelve months or less.

Variable lease payments that do not depend on an index, rate, or subject to a fair market value renewal condition are expensed as incurred and recognized in office and miscellaneous expenses, as appropriate given how the underlying leased asset is used, in the consolidated statements of loss and comprehensive loss.

Right-of-use assets are measured at cost, which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. The depreciation is recognized from the commencement date of the lease.

Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received or given up is not readily determinable, the fair market value of the shares is used to record the transaction. The fair market value of the shares is based on the trading price of those shares on the appropriate stock exchange on the date of the agreement to issue or receive shares as determined by the board of directors.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the fair value equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date when the Company obtains control of the acquiree. The identifiable assets acquired, and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair value. Goodwill represents the difference between total consideration paid and the fair value of the net-identifiable assets acquired. Acquisition costs incurred are expensed in the consolidated statements of loss and comprehensive loss.

Contingent consideration is measured at its acquisition date fair value and is included as part of the consideration transferred in a business combination, subject to the applicable terms and conditions. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 Financial Instruments with the corresponding gain or loss recognized in the consolidated statements of loss and comprehensive loss.

Based on the facts and circumstances that existed at the acquisition date, management will perform a valuation analysis to allocate the purchase price based on the fair values of the identifiable assets acquired and liabilities assumed on the acquisition date. Management has one year from the acquisition date to confirm and finalize the facts and circumstances that support the finalized fair value analysis and related purchase price allocation. Until such time, these values are provisionally reported and are subject to change. Changes to fair values and allocations are retrospectively adjusted in subsequent periods.

In determining the fair value of all identifiable assets acquired and liabilities assumed, the most significant estimates generally relate to contingent consideration and intangible assets. Management exercises judgment in estimating the probability and timing of when earn-outs are expected to be achieved, which is used as the basis for estimating fair value. Identified intangible assets are fair valued using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows of the acquiree. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on the fair value of the goods and services received. Asset acquisitions do not give rise to goodwill. Any consideration paid in excess of the identifiable assets and liabilities assumed is expensed to the consolidated statements of loss and comprehensive loss.

Loss per share

The Company calculates basic loss per share by dividing the loss for the year by the weighted average number of common shares outstanding during the year. It calculates diluted loss per share in a similar manner, except that it increases the weighted average number of common shares outstanding, using the treasury stock method, to include common shares potentially issuable from the assumed exercise of stock options and other instruments, if dilutive. In the Company’s case, these potential issuances are “anti-dilutive” as they would decrease the loss per share; consequently, the amounts calculated for basic and diluted loss per share are the same.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The following are the critical judgments and estimates that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated statements of loss and comprehensive loss :

Business combination and asset acquisition

Judgment is required to determine if the Company's acquisition represented a business combination or an asset purchase. More specifically, management concluded that most of the Company's acquisitions did not represent a business, as the assets acquired were not an integrated set of activities with inputs, processes and outputs. For acquisitions that represented the purchase of assets, no goodwill was recognized on the transactions and acquisition costs were capitalized to the assets purchased rather than expensed. As the Company concluded that most of the acquisitions were an asset acquisition, an allocation of the purchase price to the individual identifiable assets acquired, including identifiable and unidentifiable intangible assets, and liabilities assumed based on their fair values at the date of purchase was required. The fair values of the net assets acquired were calculated using significant estimates and judgments. If estimates or judgments differed, this could result in a materially different allocation of net assets on the consolidated statements of financial position.

In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgment and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows.

These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstances where estimates have been made, the Company may obtain third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of certain purchase prices and accounting adjustments.

Functional currency

The functional currency of the Company and each of the Company's subsidiaries is the currency of the primary economic environment in which the respective entity operates. Such determination involves certain judgment to identify the primary economic environment. The Company reconsiders the functional currency of an entity if there is a significant change in the events and/or conditions which determine the primary economic environment.

Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Valuation of convertible debenture conversion feature, warrants and derivative liabilities

The Company used both the Black-Scholes Option Pricing Model and the Monte Carlo option pricing model during the valuation for the convertible debenture conversion feature and warrants issued with the convertible debenture as well as for the valuation of its derivative liabilities. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Simulation models utilizes several more complex inputs and is ran at many different scenarios to determine the proper value. In addition, management had to estimate the Company's market interest rate in order to determine the fair value of the debenture's host liability. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Valuation of Spin-out assets to ALT House

The Company engaged a reputable third-party valuation expert to value the assets and liabilities of the cannabis assets which were spun-off to ALT House. The valuation utilized three distinct methods which include the income, market, and asset approach (Note 1).

Impairment of long-lived assets

Long-lived assets are reviewed for impairment annually or if there is an occurrence of events or changes in circumstances indicating that the carrying value of the asset may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Management evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Estimated useful life of long-lived assets

Judgment is used to estimate each component of a long-lived asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, it could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

Fair value of stock options and warrants

Determining the fair value of warrants and stock options requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant effect on the Company's future operating results or on other components of shareholders' equity.

Income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company's effective income tax rate can vary significantly for various reasons, including the mix and volume of business in lower income tax jurisdictions and in jurisdictions for which no deferred income tax assets have been recognized because management believed it was not probable that future taxable profit would be available against which income tax losses and deductible temporary differences could be utilized.

Provisions

Provisions are uncertain timing or amounts; it is both likely that a future event will confirm that a liability had been incurred at the date of the consolidated financial statements and the amount can be reasonably estimated. In cases where it is not possible to determine whether such a liability has occurred, or to reasonably estimate the amount of loss until the performance of some future event, no accrual is made until that time. In the ordinary course of business, the Company may be party to legal proceedings which include claims for monetary damages asserted against the Company. The adequacy of provisions is regularly assessed as new information becomes available.

Leases

Leases require lessees to discount lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate. The Company generally uses the incremental borrowing rate when initially recording real estate leases as the implicit rates are not readily available as information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets is not available.

The Company determines the incremental borrowing rate as the interest rate the Company would pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Leases requires lessees to estimate the lease term. In determining the period which the Company has the right to use an underlying asset, management considers the non-cancellable period along with all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option (Note 14).

Going concern

The Company's assessment of its ability to continue as a going concern requires judgments about the Company's ability to execute its strategy by funding future working capital requirements (Note 1). The Company's objectives are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide returns to shareholders and benefits for other stakeholders.

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. This economic slowdown required the Company to significantly increase its efforts in order to secure financing.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

As at the date of authorization of these consolidated financial statements, the IASB and the IFRS Interpretations Committee had issued certain pronouncements that are mandatory for the Company's accounting periods commencing on or after January 1, 2021. Many are not applicable or do not have a significant impact to the Company, have been excluded. The Company had assessed that no material impact is expected upon the adoption of the following amendments on its consolidated financial statements:

Amendments to IAS 1

In January 2020, the IASB issued amendments to IAS 1 which clarify the requirements for classifying liabilities as either current or non-current by: (i) specifying that the conditions which exist at the end of the reporting period determine if a right to defer settlement of a liability exists; (ii) clarifying that settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services; (iii) clarifying that classification is unaffected by management's expectation about events after the balance sheet date; and (iv) clarifying the classification requirements for debt an entity may settle by converting it into equity.

The amendments clarify existing requirements, rather than make changes to the requirements, and so are not expected to have a significant impact on an entity's financial statements. However, the clarifications may result in reclassification of some liabilities from current to non-current or vice-versa, which could impact an entity's loan covenants. Because of this impact, the IASB has provided a longer effective date to allow entities to prepare for these amendments. In July 2020, the IASB issued an amendment to defer the effective date of the amendments by one year from its originally planned effective date to annual periods beginning on or after January 1, 2023 due to the impact of COVID-19. Early application is permitted. The Company is currently assessing the financial impact of this pronouncement.

Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37")

In May 2020, the IASB issued amendments to update IAS 37. The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract. These amendments are effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The Company is currently assessing the financial impact of this pronouncement.

IAS 16 Property, Plant, and Equipment

In May 2020, the International Accounting Standards Board (IASB) issued amendments to update IAS 16 Property, Plant, and Equipment. The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be available for use. Instead, the proceeds from selling such items, and the costs of producing those items, would be recognized in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The Company is currently assessing the financial impact of this pronouncement.

IAS 12 Income Taxes

In May 2021, the International Accounting Standards Board (IASB) issued amendments to the recognition exemptions under IAS 12 Income Taxes. The amendments narrowed the scope of the recognition exemption to require an entity to recognize deferred tax on initial recognition of particular transactions, to the extent that transaction gives rise to equal taxable and deductible temporary differences. These amendments apply to transactions for which an entity recognized both an asset and liability, for example leases and decommissioning liabilities. The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The Company is currently assessing the financial impact of this pronouncement.

EXPRESSED IN CANADIAN DOLLARS

4. ASSET ACQUSITIONS

1220611 B.C. Ltd. d/b/a Mydecine Innovation Group Inc.

On April 30, 2020, the Company acquired 100% of 1220611 B.C. Ltd. (d/b/a Mydecine Innovation Group Inc.) (“Mydecine”), a Colorado headquartered Company. Mydecine is an arm’s length research and development Company in the mushroom and fungi industry. The Company issued 17,000,000 common shares of the Company with fair value of $2,210,000 and 1,360,000 finders shares with fair value of $176,800, based on level 1 inputs.

The acquisition of Mydecine does not constitute a business combination because this entity does not meet the definition of a business under IFRS 3 – Business Combination. As a result, the transaction has been measured at the fair value of equity consideration issued to acquire these entities.

The purchase price was determined based on IFRS 2 – *Share Based Payments*.

Purchase price	$
17,000,000 common shares	2,210,000
1,360,000 finders’ common shares	176,800
Consideration paid in excess of net assets acquired	2,386,800

Mydecine was in the early stage of cultivation, processing, product development, and research and development of compounds that are found in various strains of mushroom and fungi. As such, the remaining unidentifiable asset did not meet the intangible asset criteria for capitalization. Accordingly, the Company expensed the consideration paid in excess of net assets acquired of $2,386,800 in the consolidated statements of loss and comprehensive loss in 2020.

NeuroPharm Inc.

On July 14, 2020, the Company entered into a Share Exchange Agreement (“NeuroPharm SEA”) to acquire 100% of NeuroPharm Inc. (“NeuroPharm”). NeuroPharm is an arm’s length Canadian-based healthcare company that is conducting research and development of certain therapies for veterans, emergency medical service providers, and front-line personnel. The NeuroPharm SEA closed on August 28, 2020 (“NeuroPharm Closing Date”).

As consideration, the Company agreed to issue 9,000,000 common shares, contingent anti-dilution securities, and 10,000,000 performance warrants (Collectively, “NeuroPharm Consideration”). The terms of the NeuroPharm consideration is described below:

a) The Company issued 9,000,000 common shares on August 28, 2020 (“NeuroPharm Closing Date”) with a fair value of $4,860,000 that are subject to certain escrow conditions.

b) Pursuant to the terms of the NeuroPharm SEA, the Company is obligated to issue additional common shares (“NeuroPharm Anti-Dilution Securities”). Each NeuroPharm Anti-Dilution Security is exercisable to acquire common shares on the NeuroPharm Release Dates, for no additional consideration, in the event the volume-weighted average closing price of the Company’s common shares on the Canadian Securities Exchange (“CSE”) in the 20 trading days prior to the NeuroPharm Release Dates is less than $0.70. This contingent consideration was accounted for as an equity instrument under IFRS 2 – *Share Based Payment* and was recorded at fair value at the date of acquisition. As at August 28, 2020, the Company’s estimate of the fair value of the anti-dilutive securities was $2,752,572. On September 12, 2020, pursuant to the NeuroPharm Anti-Dilution Securities clause, the Company issued additional 1,426,764 common shares and the Company reclassified $1,299,441 from reserve to share capital.

EXPRESSED IN CANADIAN DOLLARS

4. ASSET ACQUSITIONS (continued)

c) Pursuant to the terms of the NeuroPharm SEA, the Company issued 10,000,000 performance warrants ("Performance Warrants") that vest as follows:

- 900,000 Performance Warrants will vest upon each successful completion of a clinical trial designed to the study of psilocybin in Veterans, up to a maximum vesting of 5,400,000 Performance warrants; and,
- 920,000 Performance Warrants will vest upon each filing by NeuroPharm of a patent application in Canada and/or the United States, subject to the acceptance of the application by the regulatory authority to a maximum vesting of 4,600,000 Performance Warrants .

As at December 31, 2021, 10,000,000 Performance Warrants have vested (2020 – 4,600,000). Each Performance Warrant expires five years from the date of issuance and is exercisable at a 20% discount to the Company's stock price on the NEO.

The Performance Warrants were accounted for as an equity instrument under IFRS 2 – Share Based Payments and recorded at fair value at acquisition. As at August 28, 2020, the fair value of the Performance Warrants was $980,640. The acquisition of NeuroPharm does not constitute a business combination because this entity does not meet the definition of a business under IFRS 3 – *Business Combination*. As a result, the transaction has been measured at the fair value of equity consideration issued to acquire these entities. The fair value of the consideration paid was determined based on the fair value of the assets received as determined based on IFRS 2 – *Share Based Payments*.

Purchase price:	$
9,000,000 common shares	4,860,000
NeuroPharm – Anti-Dilution Securities	2,752,572
Performance Warrants	980,640
Total consideration paid	8,593,212
Cash	411,457
Liabilities assumed	(76,684)
Net assets assumed	334,773
Consideration paid in excess of net assets acquired	8,258,439
Net assets acquired	8,593,212

NeuroPharm was in the early stage of developing technologies to treat various mental health conditions targeting the treatment of disorders such as PTSD, depression, addiction, anxiety, and panic disorders as well as migraine and cluster headaches. At the time of acquisition, the Company was conducting research and was in the processes of drafting provisional patents related to psilocybin which did not meet the definition of intangible assets. As such, the remaining unidentifiable assets in the amount of $8,258,439 were expensed in the consolidated statements of loss and comprehensive loss in 2020.

EXPRESSED IN CANADIAN DOLLARS

5. PREPAIDS AND DEPOSITS

	December 31, 2021 $	December 31, 2020 $
Research and development	3,107,199	-
Corporate development	1,635,766	52,500
Advisory and public relations services	25,999	63,274
Land deposit	-	66,170
Insurance	236,934	-
Deposits	107,353	34,059
Deferred shares issuance costs (Note 24)	188,304	-
Other	13,464	-
Total	5,315,019	216,003
Short-term	3,521,125	216,003
Long-term	1,793,894	-

6. BUSINESS COMBINATION

On June 16, 2020, the Company entered into a Share Exchange Agreement ("Mindleap SEA") to acquire 100% of Mindleap Health Inc. ("Mindleap"). Mindleap is an arm's length Canadian-based healthcare Company that is developing a digital telehealth platform ("Telehealth Platform"). Mindleap's Telehealth Platform complements the Company's business plan as a mental health provider to its users. The Mindleap SEA closed on August 19, 2021 ("Acquisition Date").

As consideration, the Company agreed to issue 6,363,636 common shares, contingent anti-dilution securities, and certain milestone share-based payments (Collectively, "Mindleap Consideration"). The terms of the Mindleap Consideration are described below:

a) As consideration, the Company issued 6,363,636 common shares with a fair value of $2,513,636 that are subject to certain escrow conditions.

   As at December 31, 2021, there are 3,181,818 common shares held in escrow and will be released pursuant to the following schedule ("Mindleap Release Dates"):

4 months from the Mindleap Closing Date	¼ of escrowed securities
12 months from the Mindleap Closing Date	¼ of escrowed securities
18 months from the Mindleap Closing Date	¼ of escrowed securities
24 months from the Mindleap Closing Date	¼ of escrowed securities

b) Pursuant to the terms of the agreement with Mindleap, 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. As at December 31, 2021 and December 31, 2020, the Company's estimate of the fair value of the anti-dilutive securities was $1,280,294 and $1,586,744 on the consolidated statements of financial position, respectively. During the year ended December 31, 2021 and 2020, the derivative had changes in fair value of $43,688 and $545,194, recorded in the consolidated statements of loss and comprehensive loss, respectively (Note 15).

EXPRESSED IN CANADIAN DOLLARS

6. BUSINESS COMBINATION (continued)

c) 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 the Closing Date and December 31, 2021 and 2020, the fair value of the Bonus Shares was $Nil as the probability of meeting the Milestones was low. The deadline to meet the milestones was December 31, 2021, the milestones were not met.

The acquisition of Mindleap constituted a business combination because the Company met the definition of a business under IFRS 3 - Business Combination.

Purchase price:	$
6,363,636 common shares	2,513,636
Mindleap – Anti-Dilution Securities	2,131,938
Bonus Shares	-
Total consideration paid	4,645,574
Cash	92,267
Taxes receivable	7,622
Intangible asset – software platform	172,898
Accounts payable	(24,290)
Loan liabilities	(350,000)
Net liabilities assumed	(101,503)
Goodwill	4,747,077
Total net assets acquired	4,645,574

The Company determined that Mindleap's platform design, content and business objectives were synergistic with the Company's business plans and objectives. Goodwill consists of an assembled workforce, cost synergies and future economic potential of Mindleap.

Loan liabilities include $250,000 that relates to a working capital loan issued to Mindleap as per the conditions set in the Mindleap SEA.

During the period ended from August 19, 2020 to December 31, 2020, the Company recorded a net loss of $372,108 (excluding any impairment charge) in the consolidated statements of loss and comprehensive loss in connection with Mindleap.

Net loss for the Company would have been higher by approximately $237,000, for the year ended December 31, 2020, if the acquisition had taken place on January 1, 2020. In connection with this transaction, the Company did not recognize any material transaction cost.

EXPRESSED IN CANADIAN DOLLARS

7. INVESTMENT IN JOINT VENTURE

On April 27, 2020, the Company acquired 50% of Alternative Distribution Company LLC (formerly Levee Street Holdings 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 was accounted for using the equity method in these consolidated financial statements until October 1, 2021 (Note 1).

As at October 1, 2021, the fair value of the investment in joint venture was valued using an income approach. This approach yielded a $Nil value for the investment thus resulting in a fair value adjustment of $172,329.

	$
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	4,951
Carrying amount before spin-out (Note 1)	172,329
Fair value adjustment of investment in joint venture (Note 1)	(172,329)
Ending balance, December 31, 2021	-

8. 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. Management has determined that Trellis meets the definition of an equity associate. As a result, the equity method was applied until October 1, 2021 (Note 1).

Fair-value adjustment of investment in associate

As at October 1, 2021, the fair value of the investment in joint venture was valued using an income approach. This approach yielded a $Nil value for the investment thus resulting in a fair value adjustment of $170,704. The investment had initially been impaired by $4,169,616 at June 30, 2021. This reduction of value was caused by a significant price reduction from over-supply in Trellis' local market, reduction of working capital, and lack of funding to assist in the expansion of Trellis' business.

The calculation of fair value was based on the following key assumptions:

- Cashflow projection included estimates for five years with a growth rate of 10% 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 25% present value factor at a weight average cost of capital for the retail operations.

EXPRESSED IN CANADIAN DOLLARS

8. INVESTMENT IN ASSOCIATE (continued)

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 in Trellis' fair value.

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)
Foreign exchange loss	4,263
Impairment loss on investment in associate	(4,169,616)
Carrying amount before spin-out (Note 1)	170,704
Fair value adjustment of investment in associate (Note 1)	(170,704)
Ending balance, December 31, 2021	-

9. INTANGIBLE ASSETS

Intangible assets consist of the following:

Cost	**Software platform $**
Balance, December 31, 2019	-
Additions from business combination (Note 6)	172,898
Additions relating to internal development	111,992
Balance, December 31, 2020	**284,890**
Additions	-
Balance, December 31, 2021	**284,890**
Impairment	
Balance, December 31, 2019	**-**
Impairment of intangible assets	**(284,890)**
Balance, December 31, 2020	**(284,890)**
Additions	**-**
Balance, December 31, 2021	**(284,890)**
Net book values	
December 31, 2020	**-**
December 31, 2021	**-**

EXPRESSED IN CANADIAN DOLLARS

9. INTANGIBLE ASSETS (continued)

As at December 31, 2020, management considered the existence of impairment indicators related to the platform as it existed at December 31, 2020. Due to the uncertainty of the future economic benefits associated with the stage of development of the software platform at December 31, 2020 acquired from Mindleap (Note 6), the Company realized an impairment of intangible assets of $284,890.

10. PROPERTY AND EQUIPMENT

	Leasehold improvements $	Equipment $	Total $
Cost			
Balance, December 31, 2019	-	23,960	23,960
Additions	216,584	76,087	292,671
Disposal	-	(6,553)	(6,553)
Foreign exchange	-	(1,810)	(1,810)
Balance at December 31, 2020	216,584	91,684	308,268
Additions	10,778	280,724	291,502
Foreign exchange	-	(15,596)	(15,596)
Balance, December 31, 2021	**227,362**	**356,812**	**584,174**
Accumulated depreciation			
Balance, December 31, 2019	-	17,706	17,706
Depreciation	-	1,057	1,057
Disposal	-	(2,109)	(2,109)
Balance, December 31, 2020	-	16,654	16,654
Depreciation	92,876	39,734	132,610
Balance, December 31, 2021	**92,876**	**56,388**	**149,264**
Net book values			
December 31, 2020	216,584	74,030	291,614
December 31, 2021	**134,486**	**300,424**	**434,910**

For years ended December 31, 2021 and 2020, the Company recorded $132,610 and $1,057 of depreciation for property and equipment, respectively. As at December 31, 2021 and 2020, the Company did not recognize an impairment of property and equipment.

EXPRESSED IN CANADIAN DOLLARS

11. INVESTMENT PROPERTIES

On October 1, 2021, the Company spun-out the investment property, located in Oregon, U.S, to ALT House (Note 1). During the period ended October 1, 2021, the Company recognized rental income of $102,571 (year ended on December 31, 2020 - $115,702). The fair value of the Company's property assets is estimated based on an income capitalization. Management used external valuators to assist with the investment properties valuation. The fair value of the properties was estimated at $1,400,798 as at October 1, 2021 (December 31, 2020 – $1,418,345). The Company's properties were rented to a related party (Note 19) up to the spin-out date on October 1, 2021.

	Total $
Balance, December 31, 2019	1,316,983
Change in fair value	134,147
Foreign exchange	(32,785)
Balance, December 31, 2020	1,418,345
Foreign exchange	1,002
Fair value adjustment of investment property on October 1, 2021 (Note 1)	(18,549)
Carrying amount before spin-out	1,400,798
Spin-out of investment property to ALT House (Note 1)	(1,400,798)
Balance, December 31, 2021	-

12. LOAN RECEIVABLE, NET

	$
Balance, December 31, 2019	12,015
Loan receivable from Alternative Distribution Company, LLC	316,110
Amount collected	(12,015)
Balance, December 31, 2020	**316,110**
Impairment of loan receivable from Alternative Distribution Company, LLC	(313,638)
Foreign exchange	(2,472)
Loan receivable from Trellis Holdings Oregon OP, LLC	69,264
Impairment of loan receivable with Trellis Holdings Oregon OP, LLC	(69,264)
Balance, December 31, 2021	**-**

On October 21, 2020, the Company entered into a secured promissory note with Alternative Distribution Company, LLC for $313,638 CAD ($250,000 USD) with annual interest of 4% and repayable monthly. In accordance with the loan receivable agreement, the first payment with principal and interest was deferred until January 19, 2021 and continuing until maturity on January 9, 2023. The loan receivable is secured by equipment which was purchased with the proceeds of the loan.

Loans are reviewed for impairment on an individual basis. The assessment of impairment is based on the expected ability of the payor to make the required payments when due. During the year, the Company determined that the loan was impaired based on the holder's ability to repay the balance outstanding. The Company impaired the loan receivable from Alternative Distribution Company, LLC for $313,638. On February 17, 2022, the Company provided Alternative Distribution Company, LLC with a demand letter for the balance of the loan.

On July 22, 2021, the Company entered into a promissory note with Trellis Holdings Oregon OP LLC for $69,264 ($50,000 USD). The loan was due on August 31, 2021.

12. LOAN RECEIVABLE, NET (continued)

During the year, the Company determined that this Trellis Holdings Oregon OP LLC loan was impaired based on the holder's ability to repay the balance outstanding. The Company has not received any payments as of December 31, 2021. On February 15, 2022, the Company provided Trellis Holdings Oregon OP LLC with a demand letter for the principal amount and late payment fees.

13. CONVERTIBLE DEBENTURES

Convertible debenture issued in 2021

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%, mature in 36 months and the principal and interest are convertible into units ("conversion units") at a conversion price of $0.17, 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 32,352,941 warrants which will entitle the holder to purchase one (1) additional common share of the Company at a price of $0.17 per Warrant Share for a period of thirty-six (36) months from the issuance date.

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, 2021, the Company recognized $51,404 of interest and accretion expense 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 $0.17, 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.

Convertible debentures issued in 2020

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. As at December 31, 2021, no amounts from the 2020 convertible debentures are outstanding as they were all converted during the year. For the year ended December 31, 2021, the Company recognized $126,143 (2020- $158,201) of interest and accretion expense in relation to the convertible debentures issued in 2020. The debentures were convertible into units consisting of one common share and one warrant. A total of 16,171,015 warrants were issued as a result of the conversions (Note 16).

EXPRESSED IN CANADIAN DOLLARS

13. CONVERTIBLE DEBENTURES (continued)

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

	Convertible debenture $	Warrants issued with debenture – Contributed Surplus $	Equity component of convertible debenture $	Total $
Balance, December 31, 2019	-	-	-	-
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)
Balance, December 31, 2020	2,959,755	-	254,690	3,214,445
Additions	4,340,640	918,604	240,756	5,500,000
Deferred tax impact	-	(248,000)	(65,000)	(313,000)
Deferred loan costs	(37,743)	-	-	(37,743)
Accretion expense	178,157	-	-	178,157
Conversion of convertible debentures	(3,086,507)	-	(254,690)	(3,341,197)
Balance, December 31, 2021	4,354,302	670,604	175,756	5,200,662

14. 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% on initial measurement of the lease liability.

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

Right-of-use assets	Research and development facility $	Office lease $	Total $
Balance, December 31, 2019	-	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)
Balance, December 31, 2020	223,645	-	223,645
Depreciation	(85,913)	-	(85,913)
Foreign exchange	(7,186)	-	(7,186)
Balance, December 31, 2021	130,546	-	130,546

EXPRESSED IN CANADIAN DOLLARS

14. RIGHT-OF-USE ASSET AND LEASE LIABILITIES (continued)

The following is a continuity schedule of lease liabilities for years ended December 31, 2021 and December 31, 2020:

Lease liabilities	Research and development facility $	Office lease $	Total $
Balance, December 31, 2019	-	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)
Balance, December 31, 2020	236,447	-	236,447
Additions	-	-	-
Interest	25,911	-	25,911
Payments	(112,815)	-	(112,815)
Foreign exchange	(1,994)	-	(1,994)
Balance, December 31, 2021	147,549	-	147,549
Less: current portion	79,728	-	79,728
Non-current portion	67,821	-	67,821

The undiscounted lease liabilities are as follows:

Year ending December 31	**$**
2022	114,102
2023	47,542
Total lease payments	161,644

15. DERIVATIVE LIABILITIES

The derivative liabilities consist of Mindleap's Anti-Dilution Securities for 3,181,818 shares . The number of shares to be issued are variable (Note 6) .

	Mindleap Anti-dilution Securities $
Balance, December 31, 2019	-
Additions per business combination (Note 6)	2,131,938
Change in fair value of derivative liabilities	(545,194)
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**

The fair value of the derivative liability at December 31, 2021 was estimated using the Monte Carlo option model and the following assumptions:

- Risk free interest rate: 0.97%
- Volatility: 100.06%
- Market price of common shares: $0.14

16. SHARE CAPITAL AND CONTRIBUTED SURPLUS

Authorized: Unlimited common shares without par value

Period ended December 31, 2021:

Issued: common shares 260,930,000 (December 31, 2020: 176,734,102 common shares)

During the year ended December 31, 2021, the Company issued 14,242,280 common shares pursuant to warrant exercises. The Company transferred $1,222,018 from reserves to share capital, for net proceeds of $3,757,495.

During the year ended December 31, 2021, the Company issued 622,237 common shares with a fair value of $233,123 to settle debt of $231,746 and recorded a gain on settlement of debt of $1,377.

During the year ended December 31, 2021, the Company issued 289,710 common shares, pursuant to various employment and consulting agreements, as compensation for services with a fair value of $104,170.

During the year ended December 31, 2021, the Company issued 16,171,015 common shares pursuant to the conversion of convertible debt of $3,341,197. The Company transferred $254,690 from equity component of convertible debentures to share capital.

On March 4, 2021 and on October 4, 2021, the Company issued 440,587 and 224,633 anti-dilution common shares in relation to Mindleap's acquisition with a fair value of $174,032 and $88,730 respectively. These amounts were transferred from derivative liability to share capital.

On October 4, 2021, the Company issued 946,820 anti-dilution common shares in relation to Neuropharm's acquisition with a fair value of $373,994. This amount was transferred from contributed surplus to share capital.

On February 8, 2021, the Company completed a bought-deal financing and issued 34,500,000 Units for gross proceeds of $17,250,000. The Company incurred cash transaction costs of $1,917,096 less deferred tax asset of $313,000. In addition, the Company incurred non-cash transaction costs of $2,576,710 relating to the issuance of 862,500 Finance Fee Units and 2,415,000 broker warrants. Each Finance Fee 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 - $0.58; exercise price - $0.70; expected life – 3 years; volatility – 100%; dividend yield – Nil; and risk-free rate – 0.17%. In addition, the Company issued 2,415,000 Broker Warrants which are exercisable in units of one common share and one warrant ("Broker Warrant"). The fair value of the Broker Warrants was measured at $2,287,750. The Broker Warrants were measured using the Monte Carlo option 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%.

On October 1, 2021, the Company spun out its cannabis subsidiaries and investments. As a result, the Company cancelled and reissued all of its equity instruments, to provide the shareholders with the same rights through the transaction as they possessed before the spin-out. Note 1 describes the impact of the transaction on the Company's consolidated financial statements.

EXPRESSED IN CANADIAN DOLLARS

16. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

Restricted Stock Units

On November 24, 2021, the Company issued 15,896,116 restricted stock units to executives and consultants of the Company. These restricted stock units were valued with the stock price at issuance of $0.20 per share for a total value of $3,099,743. The restricted stock units vested upon issuance.

Escrowed Shares

As at December 31, 2021 and December 31, 2020, there are 3,181,818 and 3,785,010 common shares held in escrow and will be released pursuant to the following schedule, respectively (Note 6):

4 months from the Mindleap Closing Date	¼ of escrowed securities
12 months from the Mindleap Closing Date	¼ of escrowed securities
18 months from the Mindleap Closing Date	¼ of escrowed securities
24 months from the Mindleap Closing Date	¼ of escrowed securities

Year ended December 31, 2020:

Issued: 176,734,102 common shares (December 31, 2019: 33,438,205 common shares)

On April 27, 2020, the Company acquired 50% of Alternative Distribution. As consideration, the Company issued 4,500,000 common shares at fair value of $395,010 (Note 7).

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. (Note 4).

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 (Note 8).

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 warrants. 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 June 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 June 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 option 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%.

16. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

On August 20, 2020, the Company issued 6,363,636 common shares with a fair value of $2,513,636 to acquire 100% of Mindleap (Note 7).

On August 28, 2020, the Company issued 9,000,000 common shares with a fair value of $4,860,000 to acquire 100% of NeuroPharm. Pursuant to the terms of the agreement, the Company issued 1,426,764 anti-dilution shares with a fair value of $1,299,441, which was transferred from reserve to share capital.

During the year ended December 31, 2020, the Company issued 4,008,920 common shares with a fair value of $923,672 to settle debt of $945,551 and recorded a gain on settlement of debt of $21,879.

During the year ended December 31, 2020, the Company issued 2,071,150 common shares pursuant to warrant exercises for gross proceeds of $884,556. The Company re-allocated $293,873 from contributed surplus to share capital.

During the year ended December 31, 2020, the Company issued 200,000 common shares pursuant to option exercises for gross proceeds of $65,883. The Company re-allocated $23,883 from contributed surplus to share capital.

During the year ended December 31, 2020, the Company issued common share 8,111,507 pursuant to the conversion of convertible debt of $1,643,756. The Company transferred $136,977 from equity component of convertible debt to share capital.

Stock Options

For the year ended December 31, 2021:

The Company has adopted the 2021 Mydecine Equity Incentive Plan (the "Incentive Plan") dated 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 period ended December 31, 2021, the Company did not grant any stock options.

For the year ended December 31, 2020:

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%.

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%.

16. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

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 $12,125. 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 – 100%; dividend yield - Nil; and risk-free rate – 0.77%.

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 $115,437. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - $0.59; exercise price - $0.50; expected life - 5 years; volatility – 105%; dividend yield - Nil; and risk-free rate – 0.23%.

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 $133,045. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - $0.54; exercise price - $0.40; expected life - 1 years; volatility – 161%; dividend yield - Nil; and risk-free rate – 0.33%.

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 $535,201. 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 – 105%; dividend yield - Nil; and risk-free rate – 0.32%.

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 $1,279,515. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price – 0.21; exercise price - $0.21; expected life - 5 years; volatility – 105%; dividend yield - Nil; and risk-free rate – 0.31%.

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 $63,196. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - $0.21; exercise price - $0.21; expected life - 1 year; volatility – 105%; dividend yield - Nil; and risk-free rate – 0.23%.

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 $193,469. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - $0.26; exercise price - $0.26; expected life - 5 years; volatility – 105%; dividend yield - Nil; and risk-free rate – 0.31%.

On October 8, 2020, the Company granted 100,000 stock options with an exercise price of $0.30 and term of 1 year expiring on October 8, 2021. The grant date fair value of the options was measured at $11,573. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - $0.295; exercise price - $0.30; expected life - 1 year; volatility – 104%; dividend yield - Nil; and risk-free rate – 0.22%.

During the period ended December 31, 2020, the Company cancelled 5,034,664 stock options with an exercise price ranging from $0.06 to $9.00.

EXPRESSED IN CANADIAN DOLLARS

16. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

As at December 31, 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
13,193,157	$0.23	

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

	Number of Options Issued and Exercisable		Weighted Average Exercise Price
Balance, December 31, 2019	3,126,288	$	0.46
Granted	16,451,533		0.23
Expired/cancelled	(5,034,664)		(0.33)
Exercised	(200,000)		(0.21)
Balance, December 31, 2020	14,343,157	$	0.24
Cancelled options from spin-out	(13,293,157)		(0.24)
Reissuance of options from spin-out	13,293,157		0.24
Expired/cancelled	(1,150,000)		(0.30)
Balance, December 31, 2021	13,193,157	$	0.23

The stock options have a weighted average remaining life of 3.66 years.

On October 1, 2021, the Company cancelled and reissued all of its equity instruments, to provide the shareholders with the same rights through the spin-out transaction as they possessed before the spin-out. This transaction did not have any consolidated financial statement impact.

EXPRESSED IN CANADIAN DOLLARS

16. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

Warrants

As at December 31, 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
3,050,000	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, 2023
215,233	215,233	0.30	July 20, 2023
599,274	599,274	0.30	September 8, 2023
137,021	137,021	0.30	October 1, 2023
1,235,034	1,235,034	0.30	October 7, 2023
32,352,941	32,352,941	0.17	December 9, 2024
91,505,658	90,755,658		

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

	Number of warrants Issued	Weighted Average Exercise Price
Balance, December 31, 2019	86,001	6.75
Issued	32,961,622	0.23
Exercised	(2,071,150)	(0.29)
Expired	(86,001)	6.75
Balance, December 31, 2020	30,890,472	0.22
Issued	86,301,456	0.42
Cancelled warrants from spin-out	(62,430,662)	(0.51)
Reissuance of warrants from spin-out	62,430,662)	0.51
Exercised	(20,303,630)	0.19
Expired	(5,382,660)	0.30
Balance, December 31, 2021	91,505,658	0.41

16. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

For the year ended December 31, 2021:

On October 1, 2021, the Company cancelled and reissued all of its equity instruments, to provide the shareholders with the same rights through the spin-out transaction as they possessed before the spin-out. This transaction did not have any consolidated financial statement impact.

During the year ended December 31, 2021, the Company issued 86,301,456 warrants which consisted of : i) 16,171,015 warrants for the convertible debenture conversions (Note 13); ii) 32,352,941 warrants issued for the new convertible debenture agreement (Note 13); and iii) 37,777,500 of warrants issued for the bought deal private placement consisting of 34,500,000 warrants issued to unit subscribers and 3,277,500 issued to brokers.

During the year ended December 31, 2021, 5,382,660 warrants expired from the lock-up unit agreements.

For the year ended December 31, 2020:
In August 2020, the Company entered into voluntary lock-up agreements applying to resale restrictions on up to 35,737,460 common shares that were set to become free trading upon expiry of the applicable statutory hold period. The voluntary lock-up agreement stipulates that these shareholders will not offer to sell directly or indirectly, for a period of 120 days following the date that the original resale restriction was to lapse. As consideration for entering into the voluntary lock-up agreements, the Company issued 35,737,460 warrants ("Lock-up Warrants"). The Lock-up warrants convert into a common share on a four to one basis and is exercisable at $0.30 and expire on September 28, 2021. The fair value the Lock-Up Warrants was $1,738,391 using the Black-Scholes Pricing Model with the following assumptions: stock price - $0.27; exercise price - $0.30; expected life - 1 year; volatility – 151%; dividend yield - Nil; and risk-free rate – 0.23%.

During the year ended December 31, 2020, the Company issued 32,961,622 warrants which consisted of : i) 1,743,000 of finders units with an average exercise price of $0.50; ii) 4,172,750 warrants for a private placement with an average exercise price of $0.50; iii) 8,934,365 of warrants for the lock-up warrants with an average exercise price of $0.30; 10,000,000 warrants for NeuroPharm performance warrants; and iv) 8,111,507 of warrants for convertible debenture conversions with an average exercise price of $0.30.

Agent Compensation Options

For the year ended December 31, 2021:

As at December 31, 2021, the Company has 862,500 Finance Fee 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.

For the year ended December 31, 2020 :

In connection with the private placement that closed on June 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 option 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%.

17. CAPITAL DISCLOSURES

The Company's objective when managing capital is to maintain adequate cash resources to support planned activities which include administrative costs and general expenditures. In the management of capital, the Company includes cash, and the components of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Historically, funding for the Company's plan is primarily managed through the issuance of additional common shares, through its commercial activities and through obtaining financing. There are no assurances that funds will be made available to the Company when required.

In order to carry out the planned development and pay for administrative costs, the Company will spend its existing working capital and expects to raise additional amounts as needed. The Company will continue to assess new business and seek to acquire an interest in additional business if it feels there is sufficient economic potential and if it has adequate financial resources to do so.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments, such as cash, and all are held in major Canadian financial institutions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2021. The Company is not subject to externally imposed capital requirements.

18. 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.

EXPRESSED IN CANADIAN DOLLARS

18. FINANCIAL INSTRUMENTS AND RISK FACTORS (continued)

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

As at December 31, 2021						
		Level 1		Level 2		Level 3
Cash	$	1,495,311	$	-	$	-
Account receivable		3,856		-		-
Total financial assets	**$**	**1,499,167**	**$**	**-**	**$**	**-**
Accounts payable and accrued liabilities	$	1,587,238	$	-	$	-
Lease liability (Note 14)		-		147,549		-
Convertible debentures (Note 13)		-		4,354,302		-
Derivative liabilities (Note 15)		-		1,280,294		-
Total financial liabilities	**$**	**1,587,238**	**$**	**5,782,145**	**$**	**-**

As at December 31, 2020						
		Level 1		Level 2		Level 3
Cash	$	2,190,702	$	-	$	-
Account receivable		27,746		-		-
Total financial assets	**$**	**2,218,448**	**$**	**-**	**$**	**-**
Accounts payable and accrued liabilities	$	1,187,486	$	-	$	-
Lease liability (Note 14)		236,447		236,447		-
Convertible debentures (Note 13)		-		2,959,755		-
Derivative liabilities (Note 15)		-		1,586,744		-
Total financial liabilities	**$**	**1,423,933**	**$**	**4,782,946**	**$**	**-**

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, receivables, and loan receivables. The primary exposure to credit risk was on its loans receivable which were impaired during the year. The Company has no remaining 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.

EXPRESSED IN CANADIAN DOLLARS

18. FINANCIAL INSTRUMENTS AND RISK FACTORS (continued)

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 December 31, 2021, to the exception of long-term portion of lease liabilities and convertible debentures. See the five-year commitment and contingency schedule at Note 23.

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 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.

19. RELATED PARTY TRANSACTIONS

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

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:

Management Compensation *Period Ended December 31, 2021*	Non-cash stock compensation $	Salary, bonus, and consulting fees $	Total compensation $
Director and management fees paid to the CEO of the Company	1,033,293	400,789	1,434,082
Director and management fees paid to the CFO of the Company	151,956	347,679	499,635
Management fees paid to the COO	876,355	392,895	1,269,249
Management fees paid to other officers of the Company	1,038,139	988,552	2,026,691
Director fees	-	63,854	63,854
Director and management fees paid to a former director of the Company	-	97,422	97,422
Total	**3,099,743**	**2,291,191**	**5,390,933**

For the year ended December 31, 2021, the Company paid a total of $603,000 for consulting and development services to a Company owned by the former interim CEO of Mindleap in relation to Mindleap's software platform.

EXPRESSED IN CANADIAN DOLLARS

19. RELATED PARTY TRANSACTIONS (continued)

On October 1, 2021, the Company converted the chief operating officer and chief research officer to employees.

Management Compensation *Year ended December 31, 2020*	$
Director and management fees paid to a director of the Company	181,730
Director and management fees paid to a former director of the Company	82,504
Director and management fees paid to the CEO of the Company	152,560
Management fees paid to the chief operations officer	128,681
Management fees paid to other officers of the Company	160,205
Share-based compensation	1,656,319
Total	2,361,999

As at December 31, 2021, accounts payable and accrued liabilities were due to related parties of $210,758 (December 31, 2020 - $116,311).

The Company has a rent receivable of $27,746 for December 31, 2020 from Trellis. As at December 31, 2021, the Company had $Nil as rent receivable from Trellis. The rent receivable was spun-out to ALT House as of October 1, 2021.

The Company had $Nil account receivable or sales revenue from ALT Distribution for both December 31, 2021 and 2020. On October 1, 2021, the account receivable from ALT Distribution was spun-out to ALT House.

On May 5, 2020, the Company acquired 37.5% of Trellis from two related parties of the Company. There are no ongoing contractual or other commitments resulting from the transaction. Joshua Bartch, CEO received 25,000,000 common shares and Benjamin Martch, the former Chief Marketing Officer, received 3,000,000 common shares of the Company in exchange for the investment.

All related party transactions are in the normal course of operations and have been measured at fair value.

20. IMPAIRMENT OF GOODWILL

For the year ended December 31, 2021, management identified three CGUs which represents the lowest level within the Company at which goodwill is monitored for internal management purposes, Mydecine, 1175987 BC Ltd ("Realty Co"), and We Are Kured. For the purpose of the goodwill impairment testing, goodwill arising on the acquisition of Mydecine has been allocated to the Mydecine CGU.

The aggregate carrying amounts of goodwill was allocated as follows:

	$ 2020
December 31, 2019	-
Additions	4,747,077
Impairment	(4,747,077)
December 31, 2020	-

EXPRESSED IN CANADIAN DOLLARS

20. IMPAIRMENT OF GOODWILL (continued)

For the purposes of testing impairment, the recoverable amount of each CGU comprising goodwill was based on the fair values less cost of disposal, estimated using discounted cash flows. As Mindleap is an early-stage Company with limited historical information and has not yet begun earning revenues, management was unable to support probable flow of future economic benefits at this early stage in a manner sufficient to satisfy the requirements of IAS 36-*Impairment of assets* . As such, as at December 31, 2020, the CGU was considered to be impaired and the Company impaired goodwill by $4,747,077.

21. SEGMENT INFORMATION

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

	Canada $	U.S. $	Total $
December 31, 2021			
Revenue	7,493	-	7,943
	7,493	-	7,943
December 31, 2020			
Revenue	2,617	-	2,617
	2,617	-	2,617
As at December 31, 2021			
Total non-current assets	1,492,462	866,888	2,359,350
As at December 31, 2020			
Total non-current assets	-	7,035,684	7,035,684

On October 1, 2021, the Company spun-off all the cannabis assets and investments in cannabis companies which resulted in a significant amount of the United States revenue and non-current assets being spun-off. Additionally, the operations of the cannabis entities and investments were recorded as discontinued operations as disclosed in Note 1. The majority of the U.S non-current assets consist of long-term prepaids to universities for research studies.

EXPRESSED IN CANADIAN DOLLARS

22. INCOME TAXES

The following schedule reconciles the expected income tax expense (recovery) at the Canadian combined federal and provincial statutory rate of 27% (2020 - 27%) to the amounts recognized in the consolidated statements of loss and comprehensive loss:

		December 31, 2021		**December 31, 2020**
Net Loss before recovery of income taxes	$	(23,582,911)	$	(26,876,006)
Expected income tax (recovery) expense		(6,367,390)		(7,256,526)
Difference in foreign tax rates		(287,550)		-
Tax rate changes and other adjustments		(91,290)		600,770
Share-based compensation and non-deductible expenses		846,050		716,255
Tax effect of Spin-out arrangement		(3,570,620)		-
Excess consideration from asset acquisitions		-		2,139,150
Shares issuance costs recorded in equity		(1,213,330)		-
Tax effect of convertible debenture		282,890		-
Impairment of goodwill		70,950		1,281,710
Change in tax attributes not recognized		10,330,290		2,518,641
Income tax (recovery) expense	$	-	$	-

The following table summarizes the components of deferred tax:

Deferred Tax Assets		**December 31, 2021**		**December 31, 2020**
Share issuance costs	$	-	$	35,950
Non-capital losses carried forward		347,210		120,590
Deferred Tax Liabilities				
Convertible debenture		(308,100)		(49,330)
Property and equipment		-		(35,950)
Right-of-use Asset		(35,250)		(60,380)
Equity Investment		-		-
Other temporary differences		(3,860)		(10,880)
Net deferred tax liability	$	-	$	-

EXPRESSED IN CANADIAN DOLLARS

22. INCOME TAXES (continued)

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	December 31, 2021	December 31, 2020
Inventory	-	-
Intangible assets	234,530	354,670
Property and equipment	1,394,320	1,246,110
Contingent liability	1,280,290	1,586,740
Lease liability	147,550	236,450
Financing fees	3,800,560	284,040
Excess consideration	-	-
Non-capital losses carried forward	44,756,020	21,556,530
Capital loss	27,918,540	-
Other temporary differences	319,650	79,999
Total unrecognized deductible temporary differences	79,851,460	25,344,539

The non-capital loss carry forwards will begin to expire in 2036.

Share issue and financing costs will be fully amortized in 2025. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

23. COMMITMENTS AND CONTINGENCIES

During the year ended December 31, 2021, the Company entered into numerous agreements which have created both short-term and long commitments. These commitments consist of universities, research and development facilities, and rent. These commitments are within the normal course of business.

	Current	2023	2024	2025	Total
Research contracts with universities	487,067	253,940	253,940	2 53,940	1,248,887
Convertible debenture (Note 13)	-	-	5,500,000	-	5,500,000
Other research and development contracts	1,260,463	590,400	590,400	590,400	3,031,663
Leased research facility (Note 14)	114,273	47,614	-	-	161,887
Total	1,861,803	891,954	6,344,340	844,340	9,942,437

The Convertible debenture has interest on the outstanding principal amount of 10% per annum which is due on December 9, 2022, 2023 and 2024.

In addition to the above table, the Company has a total of $1,587,238 in accounts payable and accruals due in the next twelve months.

24. SUBSEQUENT EVENTS

On March 17, 2022, the Company entered into a common share purchase agreement with a qualified investor which allows the Company to issue shares for a total consideration of up to $10,000,000 subject to certain terms and conditions. The aggregate number of common shares issued will not exceed 66,247,154 for the period ending February 28, 2023. The investor price will be 90% of the last closing trading price of the common shares on the NEO Exchange.

On March 17, 2022, the Company filed a short-form base self prospectus in the province of Quebec and an amended and restated form in all of the other provinces of Canada, to qualify the distribution of certain types of securities, including common shares, for aggregated proceeds of $100,000,000.