MYDECINE INNOVATIONS GROUP INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in Canadian dollars)

BFBorgers CPA PC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of Mydecine Innovations Group Inc.:

Opinion
We have audited the consolidated financial statements of Mydecine Innovations Group Inc. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2022 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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 financial statements, which indicates that the Company incurred significant operating losses since inception and has an accumulated deficit of $136,481,816 as at December 31, 2022. For the year ended December 31, 2022, the Company incurred a net loss from continuing operations of $17,241,587. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist 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 Matter
The financial statements of the Company for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on March 31, 2022.

Other Information
Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, 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 in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 financial statements.

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

Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 Ben Borgers.

B F Borgers CPA PC

March 31, 2023
Lakewood, Colorado, USA

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

As at,	Note	December 31, 2022 $	December 31, 2021 $
Current assets			
Cash		**11,030**	1,495,311
Other receivables	**4**	**86,667**	3,856
Sales tax receivable		**276,135**	201,060
Marketable securities	**5**	**4,617,885**	-
Prepaids and deposits	**6**	**1,220,349**	3,521,125
Total current assets		**6,212,066**	5,221,352
Non-current assets			
Prepaids and deposits	**6**	**678,916**	1,793,894
Right-of-use asset	**10**	**-**	130,546
Property and equipment	**7**	**9,876**	434,910
Total assets		**6,900,858**	7,580,702
Current liabilities			
Accounts payable and accrued liabilities	**16**	**5,371,916**	1,587,238
Notes payable	**9**	**85,204**	-
Derivative liabilities	**11**	**346,667**	1,280,294
Lease liability – current portion	**10**	**-**	79,728
Total current liabilities		**5,803,787**	2,947,260
Non-current liabilities			
Convertible debentures, net	**8**	**4,696,974**	4,354,302
Long-term portion of lease liability	**10**	**-**	67,821
Total liabilities		**10,500,761**	7,369,383
Shareholders' equity (deficiency)			
Share capital	**12**	**115,918,379**	107,662,388
Contributed surplus	**12**	**16,787,778**	17,288,315
Equity portion of convertible debentures	**8**	**175,756**	175,756
Deficit		**(136,481,816)**	(124,915,140)
Total shareholders' equity (deficiency)		**(3,599,903)**	211,319
Total liabilities and shareholders' equity (deficiency)		**6,900,858**	7,580,702

Nature, continuance of operations and going concern (Note 1)
Commitments (Note 15)
Subsequent events (Note 17)

Approved on behalf of the Board on March 31, 2023

"David Joshua Bartch" ***"Rob Roscow"***

Director Director

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, 2022	December 31, 2021
Sales		-	7,493
Cost of goods sold		-	-
Gross margin		-	7,493
Expenses			
Finance cost	8,10	911,594	205,267
Corporate development		2,574,487	3,401,645
Depreciation	7,10	128,861	235,177
Consulting fees		5,321,179	5,220,556
Director and management fees	14	535,482	1,346,468
Foreign exchange loss		175,669	355,671
Insurance		926,848	511,501
Office and miscellaneous		162,435	925,568
Professional fees		1,367,862	2,216,950
Regulatory and filing fees		113,382	349,777
Research and development		3,589,434	3,960,232
Salaries	14	1,669,181	1,424,012
Share-based payments	12	-	3,099,743
Total expenses		17,476,414	23,252,567
Other income (expenses)			
Change in fair value of derivative liabilities	11	627,869	43,688
Revaluation of marketable securities	5	(418,011)	-
Impairment of loan receivable		-	(382,902)
Other income		93,656	-
Gain on settlement of debt	12	-	1,377
Gain on forgiveness of accounts payable		247,521	-
Loss on disposal of asset	7,10	(316,208)	-
Total other income (expenses)		234,827	(337,837)
Loss from continuing operations		(17,241,587)	(23,582,911)
Income (loss) from discontinued operations	1,4	5,674,911	(5,314,488)
Net loss and comprehensive loss for the year		(11,566,676)	(28,897,399)
Net loss per share – Basic and diluted from continuing operations		(1.34)	(6.17)
Weighted average number of shares outstanding – Basic and diluted		8,647,471	4,681,721

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

MYDECINE INNOVATIONS GROUP INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS’ EQUITY DEFICIENCY (DEFICIENCY)
(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, 2020		**3,534,682**	**$ 85,298,435**	**$ 12,734,636**	**$ 254,690**	**$ (444,803)**	**$ (94,282,259)**	**$ 3,560,699**
Bought deal, net of cash share issuance cost	12	690,000	15,332,904	-	-	-	-	15,332,904
Non-cash share issuance cost	12	17,250	(2,576,710)	2,576,710	-	-	-	-
Warrants exercised	12	284,846	4,979,513	(1,222,018)	-	-	-	3,757,495
Conversion of convertible debentures	12	323,420	3,341,197	-	(254,690)	-	-	3,086,507
Shares issued for debt settlements	12	12,445	233,123	-	-	-	-	233,123
Share-based compensation	12	317,923	-	3,099,743	-	-	-	3,099,743
Shares issued for services	12	5,794	104,170	-	-	-	-	104,170
Mindleap Health Inc.’s – anti dilution clause	12	13,304	262,762	-	-	-	-	262,762
Shares issued for NeuroPharm Inc. anti-dilution securities	12	18,936	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	12	-	-	918,604	240,756	-	-	1,159,360
Deferred tax impact of convertible debentures	12	-	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		**5,218,600**	**$ 107,662,388**	**$ 17,288,315**	**$ 175,756**	**$ -**	**$ (124,915,140)**	**$ 211,319**
Shares issued for financing	12	8,645,577	7,247,840	318,127	-	-	-	7,565,967
Share issuance cost	12	-	(814,739)	156,819	-	-	-	(657,920)
Share issued for debt settlements	12	950,263	541,650	-	-	-	-	541,650
MindLeap Health Inc.’s – anti dilution clause	12	53,175	305,756	-	-	-	-	305,756
Neuropharm Inc.’s – anti dilution clause	12	10,397	544,001	(544,001)	-	-	-	-
Performance Warrants exercised	12	17,600	431,482	(431,482)	-	-	-	-
Net loss for the year		-	-	-	-	-	(11,566,676)	(11,566,676)
Balance, December 31, 2022		**14,895,612**	**$ 115,918,379**	**$ 16,787,778**	**$ 175,756**	**$ -**	**$ (136,481,816)**	**$ (3,599,903)**

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, 2022		December 31, 2021
Cash flows used in					
Operating activities					
Net loss for the period from continuing operations		$	(17,241,587)	$	(23,582,911)
Items not affecting cash:					
Depreciation	7,10		128,861		235,177
Finance cost	8,10		904,782		205,267
Change in fair value of derivative liability	11		(627,869)		(43,688)
Unrealized foreign exchange gain			11,020		74,894
Change in fair value of marketable security	5		418,011		-
Gain on termination of lease	7,10		316,208		-
Gain on forgiveness of accounts payable	16		(247,521)		-
Gain on settlement of debts	12		-		(1,377)
Share-based compensation	12,14		-		3,099,743
Shares issued for services	12		-		104,170
Impairment of loan receivables			-		382,902
Changes in operating activities from continuing operations			(16,338,095)		(19,525,823)
Changes in operating activities from discontinued operations	1,4		(300,691)		66,792
Changes in operating activities			(16,638,786)		(19,459,031)
Changes in non-cash working capital items:					
Accounts receivable			(82,811)		(3,856)
Prepaids and deposits			3,403,114		(5,099,016)
Sales taxes receivable			(97,128)		(187,326)
Accounts payable and accrued liabilities			4,987,682		696,739
Cash used in operating activities			(8,427,929)		(24,052,490)
Investing activities					
Cash advance to associate			-		(69,264)
Purchases of property and equipment	7		-		(291,502)
Cash disposed on sale of subsidiary	4		(2,076)		-
Lease payments	10		(35,466)		(112,815)
Net cash used in investing activities			(37,542)		(473,581)
Financing activities					
Proceeds from sale of shares, net of cash share issuance cost	12		6,908,048		15,332,904
Proceeds from convertible debenture	11		-		5,500,000
Notes payable	9		175,642		-
Notes repayment	9		(102,500)		-
Transaction costs for spin-out	1		-		(721,977)
Deferred loan costs	10		-		(37,742)
Warrants exercised	12		-		3,757,495
Net cash provided from financing activities			6,981,190		23,830,680
Increase in cash during the year			(1,484,281)		(695,391)
Cash, beginning of the year			1,495,311		2,190,702
Cash, end of the year		$	11,030	$	1,495,311
Supplemental Cash Flow Information					
Interest paid		$	-	$	-
Taxes paid		$	-	$	-
Non-Cash Investing and Financing Activities					
Marketable securities transferred in lieu of cash for convertible debentures		$	550,000	$	-
Shares issued to settle debt		$	541,650	$	-
Sale of subsidiary		$	5,585,896	$	-

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

1. NATURE, CONTINUANCE OF OPERATIONS AND GOING CONCERN

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

As at December 31, 2022, the Company has an accumulated deficit of $136,481,816 (December 31, 2021 - $124,915,140), net loss from continuing operations of $17,241,587 (December 31, 2021- $23,582,911) and cash used in operating activities of $8,427,929 (December 31, 2021- $24,052,490). 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.

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, CONTINUANCE OF OPERATIONS AND GOING CONCERN

	As at October 1, 2021
	$
Net assets	
Cash	74
Accounts receivable	148,967
Inventory	41,268
Investment in joint venture	172,329
Investment in associate	170,704
Investment properties	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	(172,329)
Investment in associate	(170,704)
Fair value change of investment property	(18,550)
Total fair value adjustments	(551,818)

(EXPRESSED IN CANADIAN DOLLARS)

1. NATURE, CONTINUANCE OF OPERATIONS AND GOING CONCERN

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* for the years ended December 31, 2021 and 2020:

For the years ended December 31,	2021 $	2020 $
Revenues		
Sales	21,278	55,873
Cost of sales	(10,032)	(37,370)
Gross margin	11,246	18,503
Share of losses from investment in Joint Venture	(136,604)	(93,035)
Share of losses from investment in associate	(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 of investment in associate	(4,169,616)	-
Fair value adjustments on spin-out	(551,818)	-
AOCI transferred to profit and loss on spin-out	(444,803)	-
Loss from discontinued operations	(5,314,488)	(72,939)
Net loss per share – basic and diluted	(1.16)	(0.03)
Weighted average number of shares outstanding – basic and diluted	4,573,253	2,274,285

(EXPRESSED IN CANADIAN DOLLARS)

1. NATURE, CONTINUANCE OF OPERATIONS AND GOING CONCERN

Cash flow of discontinued operations

For the years ended December 31,	2021 $	2020 $
Cash flows used in		
Operating activities		
Net loss for the period	(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 associate	4,169,616	-
AOCI transferred to profit and loss on spin-out	444,803	-
Share of losses from investment in joint venture	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, 2023.

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

Functional Currency

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

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

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

Basis of consolidation

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

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

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

Discontinued operating and assets held for distribution

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Financial instruments

Measurements

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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:

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.

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.

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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 10).

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

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, 2023. 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:

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.

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.

(EXPRESSED IN CANADIAN DOLLARS)

4. DISCONTINUED OPERATIONS

On November 18, 2022, the Company entered into an agreement with an arms length party ("PanGenomic") for the sale of Mindleap Health Inc. ("Mindleap"), a wholly owned subsidiary. Mindleap has developed a genomics analytic platform and consumer application focused on natural remedy treatments to support mental health. PanGenomic acquired all of Mindleap's outstanding shares for a purchase price of $3,600,000, payable by the issuance of units (each a "Unit") of PanGenomic at a price of $0.20 per Unit (the "Transaction"). Each Unit was comprised of one Class A Common Share of PanGenomic (a "Common Share") and one share purchase warrant to purchase one additional Common Share (a " Warrant") at a price of $0.30 per Warrant until December 8, 2024. The fair value of the Warrants was measured using a the Black-Scholes option pricing model with a fair value of $1,985,896 with the following assumptions: stock price - $0.20; exercise price - $0.30; expected life – 2 years; volatility – 122%; dividend yield – Nil; and risk-free rate – 3.76%. The transaction closed on December 8, 2022.

The details of the sale of Mindleap are as follows:

Sale transaction:	$
Fair value of 18,000,000 common shares of Pangenomic Health Inc.	3,600,000
Fair value of 18,000,000 warrants of Pangenomic Health Inc.	1,985,896
Total value of Pangenomic Health Inc. units	5,585,896
Fair value of net assets (liabilities) sold:	
Cash	2,076
Accounts receivable	22,053
Accounts payable	(413,835)
Net liabilities sold	(389,706)
Gain on sale of Mindleap	5,975,602

In support of the Transaction, the Company and PanGenomic entered into a transition services agreement concurrent with the closing date of the Transaction whereby PanGenomic engaged the Company to assist in the transition, transfer, and integration of Mindleap's technologies into PanGenomic's technology platform (the "Services") for two months. In return for the Services, PanGenomic will pay to the Company a consulting fee of $100,000, payable on January 8, 2023. As at December 31, 2022, the Company has $86,667 in receivables outstanding for the Services rendered.

The sale of Mindleap 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, 2022:

December 31, 2022	Mindleap $
Expenses	
Corporate development	(13,243)
Consulting fees	(147,969)
Foreign exchange gain	4,355
Office and miscellaneous	(69,344)
Professional fees	(23,927)
Research and development	(50,563)
Gain on sale of Mindleap	5,975,602
Net loss from discontinued operations	5,674,911

(EXPRESSED IN CANADIAN DOLLARS)

4. DISCONTINUED OPERATIONS

Net cash flows from discontinued operations are as follows during the period ended December 31, 2022:

December 31, 2022	Mindleap $
Cash flows used in	
Operating activities	
Net loss for the period	5,674,911
Items not affecting cash:	
Gain on sale of Mindleap (Note 4)	(5,975,602)
Cash used in operating activities	(300,691)

5. MARKETABLE SECURITIES

During the period ended December 31, 2022, the Company received 18,000,000 units of Pangenomic Health Inc. pursuant to the sale of Mindleap (Note 4).

The following is a continuity schedule of marketable securities of Pangenomic Health Inc for December 31, 2022:

	Pangenomic Health Inc.
Common shares	
Balance, December 31, 2021	-
Common shares received as consideration	18,000,000
Shares disposed of in lieu of cash for interest payment (Note 8)	(2,750,000)
Balance, December 31, 2022	15,250,000
Warrants	
Balance, December 31, 2021	-
Warrants received as consideration	18,000,000
Balance, December 31, 2022	18,000,000

The following are the fair values of Pangenomic Health Inc.'s securities at December 31, 2022.

	Pangenomic Health Inc. $
Common shares	
Balance, December 31, 2021	-
Common shares received as consideration	3,600,000
Disposition of common shares	(550,000)
Change in fair value of marketable securities	(1,262,634)
Balance, December 31, 2022	1,785,366
Warrants	
Balance, December 31, 2021	-
Warrants received as consideration	1,985,896
Change in fair value of marketable securities	846,623
Balance, December 31, 2022	2,832,519

On January 4, 2023, the Company sold 15,250,000 common shares for gross proceeds of $1,785,366, which approximated the fair value at December 31, 2022.

(EXPRESSED IN CANADIAN DOLLARS)

6. PREPAIDS AND DEPOSITS

	December 31, 2022 $	December 31, 2021 $
Research and development	1,032,065	3,107,199
Corporate development	835,577	1,635,766
Advisory and public relations services	-	25,999
Insurance	-	236,934
Deposits	31,623	107,353
Deferred shares issuance costs	-	188,304
Other	-	13,464
Total	1,899,265	5,315,019
Short-term	1,220,349	3,521,125
Long-term	678,916	1,793,894

7. PROPERTY AND EQUIPMENT

	Leasehold improvements $	Equipment $	Total $
Cost			
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 at December 31, 2021	227,362	356,812	584,174
Disposals	(227,362)	(332,162)	(559,524)
Foreign exchange	-	-	-
Balance at December 31, 2022	**-**	**24,650**	**24,650**
Accumulated depreciation			
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
Depreciation	31,846	50,387	82,233
Disposals	(124,722)	(92,001)	(216,723)
Balance, December 31, 2022	**-**	**14,774**	**14,774**
Net book values			
December 31, 2021	134,486	300,424	434,910
December 31, 2022	**-**	**9,876**	**9,876**

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

On June 19, 2022, the Company terminated its lease agreement (Note 10) and as part of the termination, the Company forfeited leasehold improvement and equipment held at the leased facility. The Company recognized the Company's right of use asset (Note 10) and equipment, which was offset by the de-recognition of lease liabilities (Note 10). The Company recorded a loss on disposable of assets of $316,208 on the Statement of Loss.

(EXPRESSED IN CANADIAN DOLLARS)

8. CONVERTIBLE DEBENTURES

On December 9, 2021, the Company closed a senior secured convertible debenture financing on a non-brokered private placement basis for gross proceeds of $5,500,000. The debenture bears annual interest of 10%, matures in 36 months and the principal and interest are convertible into units ("conversion units") at a conversion price of $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, 2022, the Company recognized interest and accretion of $892,672 (2021 - $51,404) in relation to the convertible debentures issued in 2021.

The residual value was allocated between the warrants and the conversion feature using the relative fair value method. The Black Scholes Pricing Model was used to determine the fair value of the warrants. The inputs to the pricing model were a stock and exercise price of $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.

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

	Convertible debenture $	Warrants issued with debenture – Contributed Surplus $	Equity component of convertible debenture $	Total $
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
Interest and accretion expense	892,672	-	-	892,672
interest settlement (Note 5)	(550,000)	-	-	(550,000)
Balance, December 31, 2022	4,696,974	670,604	175,756	5,543,334

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

(EXPRESSED IN CANADIAN DOLLARS)

9. NOTES PAYABLE

During the year ended December 31, 2022, the Company entered into two short-term notes payable.

On March 16, 2022, the Company entered into a secured note payable with the CEO of the Company for $23,753. The security interest in the Company includes certain current assets of the Company. The note payable bear interest of 5% per annum and is due one year from issuance on March 15, 2023. As at December 31, 2022, the Company has fully repaid this loan totalling $25,392 which included interest of $644.

On March 8, 2022, the Company entered into a secured note payable with an arms-length party for $151,889 which bears a 5% interest rate annually and matures on March 7, 2023. The security interest in the Company includes certain current assets of the Company. During the year ended December 31, 2022, the Company recorded interest of $3,796 (2021 - $Nil) and made repayments of $77,108. As at December 31, 2022, the note payable balance was $85,204.

10. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company's lease had consisted of a research and development facility (the "Premise").

On July 19, 2022, the Company terminated the lease agreement for the Premise and forfeited certain leasehold improvements and equipment held at the Premise. By terminating the lease agreement, the Company recognized cost savings of approximately $123,363 over the next twelve months.

The following is a continuity schedule of right-of-use assets for the year ended December 31, 2022 and 2021:

Right-of-use assets	Research and development facility $
Balance, December 31, 2020	223,645
Depreciation	(85,913)
Foreign exchange	(7,186)
Balance, December 31, 2021	130,546
Depreciation	(46,621)
Lease termination	(86,576)
Foreign exchange	2,651
Balance, December 31, 2022	-

The following is a continuity schedule of the lease liability for the year ended December 31, 2022 and 2021:

Lease liabilities	Research and development facility $
Balance, December 31, 2020	236,447
Interest	25,911
Payments	(112,815)
Foreign exchange	(1,994)
Balance, December 31, 2021	147,549
Interest	8,315
Payments	(48,106)
Foreign exchange	(3,164)
Lease termination	110,922
Balance, December 31, 2022	-

(EXPRESSED IN CANADIAN DOLLARS)

11. DERIVATIVE LIABILITIES

The derivative liabilities consist of Mindleap's Anti-Dilution Securities for 1,590,909 shares. Subsequent to the year ended December 31, 2022, the Company entered into a settlement agreement with the Anti-Dilution Securities holders and agreed to issue 666,667 common shares to settle this derivative liability.

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

12. SHARE CAPITAL AND CONTRIBUTED SURPLUS

(a) Authorized: Unlimited common shares without par value

Year ended December 31, 2022:

Issued: common shares 14,895,612 (December 31, 2021 - 5,218,600 common shares)

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

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

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

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

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

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

12. SHARE CAPITAL AND CONTRIBUTED SURPLUS

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

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

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

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

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

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

Year ended December 31, 2021:

During the year ended December 31, 2021, the Company issued 284,846 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 12,445 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 5,794 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 323,420 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 8,812 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 18,936 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.

(EXPRESSED IN CANADIAN DOLLARS)

12. SHARE CAPITAL AND CONTRIBUTED SURPLUS

On February 8, 2021, the Company completed a bought-deal financing and issued 690,000 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 $35 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 - $29; exercise price - $35; 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 - $26; exercise price - $35; 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.

Stock Options

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

During the years ended December 31, 2022 and 2021, the Company did not grant any stock options.

As at December 31, 2022, the Company had stock-options outstanding and exercisable enabling holders to acquire the following:

Number of Stock-Options	Exercise Price	Expiry Date
9,832	$23.50	June 21, 2024
4,351	$4.75	February 21, 2025
4,680	$3.00	March 20, 2025
5,000	$25.00	August 5, 2025
60,000	$12.00	September 16, 2025
160,000	$10.50	September 24, 2025
243,863	$11.50	

(EXPRESSED IN CANADIAN DOLLARS)

12. SHARE CAPITAL AND CONTRIBUTED SURPLUS

A summary of the status of the Company's stock options outstanding and exercisable as at December 31, 2022 and 2021, and changes during those periods is presented below:

	Number of Options Issued and Exercisable		Weighted Average Exercise Price
Balance, December 31, 2020	286,863	$	12.00
Cancelled options from spin-out	(265,863)		(12.00)
Reissuance of options from spin-out	265,863		12.00
Expired/cancelled	(23,000)		(15.00)
Balance, December 31, 2021	263,863	$	11.50
Expired/cancelled	(20,000)		(13.00)
Balance, December 31, 2022	243,863	$	11.45

The stock options have a weighted average remaining life of 2.65 years.

Warrants

As at December 31, 2022, the Company had warrants outstanding and exercisable enabling holders to acquire the following:

Number of Warrants Issued	Number of Warrants exercisable	Exercise Price	Expiry Date
23,000	23,000	variable	August 31, 2025
30,770	30,770	15.00	January 26, 2023
5,170	5,170	15.00	February 16, 2023
7,244	7,244	15.00	February 19, 2023
23,907	23,907	15.00	March 8, 2023
3,641	3,641	15.00	March 11, 2023
707,250	707,250	15.00	February 12, 2024
48,300	48,300	15.00	February 12, 2024
5,370	5,370	15.00	July 12, 2023
1,612	1,612	15.00	July 15, 2023
4,305	4,305	15.00	July 20, 2023
11,985	11,985	15.00	September 8, 2023
2,740	2,740	15.00	October 1, 2023
24,701	24,701	15.00	October 7, 2023
647,057	647,057	8.50	December 9, 2024
2,447,130	2,447,130	1.40	May 27, 2027
171,299	171,299	1.15	May 27, 2027
4,165,482	4,165,482		

(EXPRESSED IN CANADIAN DOLLARS)

12. SHARE CAPITAL AND CONTRIBUTED SURPLUS

A summary of the status of the Company's warrants outstanding and exercisable as at December 31, 2022 and 2021, and changes during those periods is presented below:

	Number of Warrants Issued	Weighted Average Exercise Price
Balance, December 31, 2020	617,809	11.00
Issued	1,726,031	21.00
Cancelled warrants from spin-out	(1,248,613)	25.50
Reissuance of warrants from spin-out	1,248,613	25.50
Exercised	(406,073)	9.50
Expired	(107,653)	15.00
Balance, December 31, 2021	1,830,114	20.53
Exercised warrants	(38,000)	-
Issued	2,618,429	1.38
Expired	(245,060)	(10.26)
Balance, December 31, 2022	4,165,482	8.86

Escrowed Shares

As at December 31, 2022 and 2021, there are Nil and 63,636 common shares respectively held in escrow and will be released pursuant to the following schedule, respectively:

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

13. 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.

The following is an analysis of the Company's financial assets and liabilities at fair value as at December 31, 2022 and 2021.

(EXPRESSED IN CANADIAN DOLLARS)

13. FINANCIAL INSTRUMENTS AND RISK FACTORS

As at December 31, 2022		Level 1		Level 2		Level 3
Cash	$	11,030	$	-	$	-
Other receivables	$	86,667	$	-	$	-
Total financial assets	**$**	**97,697**	$	-	**$**	**-**
Notes payable	$	-	$	85,204	$	-
Convertible debentures	$	-	$	4,696,974	$	-
Derivative liabilities	$	-	$	346,667	$	-
Total financial liabilities	**$**	**-**	**$**	**5,128,845**	**$**	**-**

As at December 31, 2021		Level 1		Level 2		Level 3
Cash	$	1,495,311	$	-	$	-
Account receivable		-		-		3,856
Total financial assets	**$**	**1,495,311**	**$**	**-**	**$**	**3,586**
Lease liability	$	-	$	147,549	$	-
Convertible debentures		-		4,354,302		-
Derivative liabilities		-		1,280,294		-
Total financial liabilities	**$**	**-**	**$**	**5,782,145**	**$**	**-**

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

Credit risk

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

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, 2022, to the exception of the convertible debentures.

(EXPRESSED IN CANADIAN DOLLARS)

13. FINANCIAL INSTRUMENTS AND RISK FACTORS

Interest rate risk

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

Currency risk

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

14. RELATED PARTY TRANSACTIONS

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

Year Ended December 31, 2022	Salary, bonus, and consulting fees $
Director and management fees paid or accrued to the CEO	444,517
Director and management fees paid or accrued to the former CFO	146,472
Management fees paid or accrued to the CFO	9,200
Management fees paid or accrued to the COO	455,311
Management fees paid or accrued to other officers of the Company	1,101,087
Director fees or accrued	137,061
Total	**2,293,648**

During the year ended December 31, 2022, the Company has an accrual for deferred salary, bonuses, and compensation for $1,351,976 (December 31, 2021- $Nil) for the executive team and board directors included in accounts payable and accrued liabilities within the consolidated statement of financial position.

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

(EXPRESSED IN CANADIAN DOLLARS)

15. COMMITMENTS

For the year ended December 31, 2022, the Company has numerous agreements which have created both a short term and long commitments. These commitments consist of research contracts with universities, convertible debentures and note payables.

	2023 $	2024 $	2025 $	2026 $	Total $
Convertible debenture (Note 8)	-	5,500,000	-	-	5,500,000
Note payable (Note 9)	85,204	-	-	-	85,204
Research and development contracts	2,053,000	1,613,000	1,613,000	1,613,000	6,892,000
Total	2,138,204	7,113,000	1,613,000	1,613,000	12,477,204

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

16. ACCOUNTS PAYABLE

	December 31, 2022 $	December 31, 2021 $
Accounts payable	3,809,105	450,695
Amount due to related parties	1,351,976	210,758
Accrued liabilities	210,832	925,785
Total	5,371,913	1,587,238

On December 7, 2022, the Company issued 950,263 common shares with a fair value of $541,650 and debt of $541,650.

On October 14, 2022, the Company entered into a payment plan with a vendor whereby the vendor forgave debt of $247,521.

17. INCOME TAXES

The following schedule reconciles the expected income tax expense (recovery) at the Canadian combined federal and provincial statutory rate of 26.5% (2021 - 27%) to the amounts recognized in the consolidated statements of loss and comprehensive loss:

		December 31, 2022		**December 31, 2021**
Net Loss before recovery of income taxes	$	(17,241,587)	$	(23,582,911)
Expected income recovery expense		(4,569,021)		(6,367,390)
Difference in foreign tax rates		382,619		(287,550)
Tax rate changes and other adjustments		60,114		(91,290)
Share-based compensation and non-deductible expenses		1,229,701		846,050
Tax effect of Spin-out arrangement		-		(3,570,620)
Shares issuance costs recorded in equity		(174,349)		(1,213,330)
Tax effect of convertible debenture		-		282,890
Impairment of goodwill		-		70,950
Change in tax attributes not recognized		3,070,936		10,330,290
Income tax (recovery) expense	$	-	$	-

(EXPRESSED IN CANADIAN DOLLARS)

17. INCOME TAXES

The following table summarizes the components of deferred tax:

Deferred Tax Assets		**December 31, 2022**		**December 31, 2022**
Share issuance costs	$	-	$	-
Non-capital losses carried forward		70,000		347,210
Deferred Tax Liabilities				
Convertible debenture		(66,000)		(308,100)
Right-of-use Asset		-		(35,250)
Other temporary differences		(4,000)		(3,860)
Net deferred tax liability	$	-	$	-

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, 2022	**December 31, 2021**
Intangible assets	-	234,530
Marketable securities	209,006	-
Property and equipment	1,819,350	1,394,320
Contingent liability	346,669	1,280,290
Lease liability	-	147,550
Financing fees	3,387,178	3,800,560
Non-capital losses carried forward	55,550,074	44,756,020
Capital loss	27,918,540	27,918,540
Other temporary differences	319,652	319,650
Total unrecognized deductible temporary differences	89,550,469	79,851,460

The non-capital loss carry forwards will begin to expire in 2041.

Share issue and financing costs will be fully amortized in 2026. 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.

18. SUBSEQUENT EVENTS

On January 4, 2023, the Company entered into share purchase agreement with various purchasers to sell its interest in 15,250,000 common shares of Pangenomic Health Inc. ("Pangenomic") for total consideration of $1,785,366.

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

On February 1, 2023, the Company issued 140,350 common shares and settled debt of $80,000.

On February 9, 2023, the Company issued 461,288 common shares and settled debt of US $200,000.

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

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

On February 23, 2023, the Company completed a private placement and issued 1,397,849 common shares for gross proceeds of $650,000.

On February 28, 2023, the Company issued 666,667 common shares and settled the Company's derivative liability in full.