

MYDECINE INNOVATIONS GROUP INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2022 AND SEPTEMBER 30, 2021

Unaudited

(Expressed in Canadian dollars)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

As at,	Note	September 30, 2022	December 31, 2021 (audited)
		\$	\$
Current assets			
Cash		88,933	1,495,311
Accounts receivable		-	3,856
Sales tax receivable		235,284	201,060
Prepays and deposits	6	2,559,173	3,521,125
Total current assets		2,883,390	5,221,352
Non-current assets			
Prepays and deposits	6	952,677	1,793,894
Right-of-use asset	10	-	130,546
Assets available for sale		24,239	-
Property and equipment	7	18,402	434,910
Total assets		3,878,708	7,580,702
Current liabilities			
Accounts payable and accrued liabilities		2,365,916	1,587,238
Notes payable, current	9	85,194	-
Derivative liabilities	11	79,660	1,280,294
Lease liability – current portion	10	-	79,728
Total current liabilities		2,530,770	2,947,260
Non-current liabilities			
Convertible debentures, net	8	5,020,214	4,354,302
Available for sale		391,483	-
Long-term portion of lease liability	10	-	67,821
Total liabilities		7,942,467	7,369,383
Shareholders' equity (deficiency)			
Share capital	12	114,678,477	107,662,388
Contributed surplus	12	17,469,026	17,288,315
Equity portion of convertible debentures	8	175,756	175,756
Deficit		(136,387,018)	(124,915,140)
Total shareholders' equity (deficiency)		(4,063,759)	211,319
Total liabilities and shareholders' equity (deficiency)		3,878,708	7,580,702

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

Commitments (Note 15)

Subsequent events (Note 16)

Approved on behalf of the Board on November 14, 2022

"David Joshua Bartch"

Director

"Rob Roscow"

Director

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

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

	Note	For the three-months ended,		For the nine-months ended,	
		September 30, 2022 \$	September 30, 2021 \$	September 30, 2022 \$	September 30, 2021 \$
Expenses					
Finance cost	8,9	224,207	22,995	683,870	146,692
Corporate development		-	341,924	141,452	2,639,633
Depreciation	7,10	25,763	47,572	120,336	126,767
Consulting fees		904,273	1,396,635	3,032,041	3,195,631
Director and management fees	14	119,008	454,215	349,864	1,286,723
Foreign exchange loss (gain)		200,046	(65,862)	174,270	253,199
Insurance		617,232	171,704	1,166,106	324,927
Office and miscellaneous		5,783	420,759	246,328	599,416
Professional fees		24,981	154,986	1,017,614	1,492,955
Regulatory and filing fees		52,433	7,879	52,433	185,791
Research and development		467,169	560,231	2,169,180	1,882,361
Salaries	14	85,620	311,355	1,460,862	545,686
Total expenses		(2,726,515)	(3,824,393)	(10,614,356)	(12,679,781)
Other income (expenses)					
Change in fair value of derivative liabilities	11	-	353,612	(261,690)	575,505
Loss on lease termination		(316,209)	-	(316,209)	-
Gain (loss) on settlement of debt		-	-	-	(2,319)
Total other income (expenses)		(316,209)	353,612	(577,899)	573,186
Loss from continuing operations		(3,042,724)	(3,470,781)	(11,192,255)	(12,106,595)
Loss from discontinued operations	5	(279,623)	(1,065,747)	(279,623)	(5,909,618)
Net loss for the period		(3,322,347)	(4,536,528)	(11,471,878)	(18,016,213)
Foreign currency translation adjustment		-	44,114	-	(4,514)
Net loss and comprehensive loss for the period		(3,322,347)	(4,492,414)	(11,471,878)	(18,020,727)
Net loss per share – Basic and diluted from continuing operations		(0.35)	(0.94)	(1.57)	(3.94)
Weighted average number of shares outstanding – Basic and diluted		9,537,322	4,804,441	7,325,252	4,573,253

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

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

	Note	Number of Shares	Share Capital	Contributed Surplus	Equity Component of Convertible Debentures	Accumulated Other Comprehensive Loss	Deficit	Shareholders' Equity (Deficiency)
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 share issuance cost	12	690,000	14,420,197	912,708	-	-	-	15,332,905
Non-cash share issuance cost	12	17,720	(1,967,059)	1,967,059	-	-	-	-
Warrants exercised	12	276,246	4,523,515	(766,020)	-	-	-	3,757,495
Conversion of convertible debentures	12	295,979	3,050,106	-	(237,500)	-	-	2,812,606
Shares issued for debt settlements	12	1,853	45,400	-	-	-	-	45,400
Shares issued for services	12	8,994	104,170	-	-	-	-	104,170
MindLeap Health Inc.'s – anti dilution clause	12	8,812	174,032	-	-	-	-	174,032
Foreign currency translation adjustment		-	-	-	-	(4,514)	-	(4,514)
Net loss from discontinued operations		-	-	-	-	-	(5,909,619)	(5,909,619)
Net loss from continued operations		-	-	-	-	-	(12,106,595)	(12,106,595)
Balance September 30, 2021		4,834,286	\$ 105,648,795	\$ 14,848,383	\$ 17,190	\$ (449,317)	\$ (112,298,472)	\$ 7,766,579
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	5,853,125	5,801,174	318,127	-	-	-	6,119,301
Share issuance cost	12	-	(541,644)	156,819	-	-	-	(384,825)
MindLeap Health Inc.'s – anti dilution clause	12	53,175	1,462,324	-	-	-	-	1,462,324
Neuropharm Inc.'s – anti dilution clause	12	10,397	207,939	(207,939)	-	-	-	-
Neuropharm performance warrants exercised	12	17,600	86,296	(86,296)	-	-	-	-
Net loss from discontinued operations		-	-	-	-	-	(279,623)	(279,623)
Net loss for the period		-	-	-	-	-	(11,192,255)	(11,192,255)
Balance, September 30, 2022		11,152,897	\$ 114,678,477	\$ 17,469,026	\$ 175,756	\$ -	\$ (136,387,018)	\$ (4,063,759)

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

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

For the three-months ended,	Note	September 30, 2022	September 30, 2021
Cash flows used in			
Operating activities			
Net loss for the period		\$ (11,192,255)	\$ (12,106,595)
Items not affecting cash:			
Depreciation	7,10	120,336	126,767
Foreign exchange		12,020	9,668
Finance cost		677,010	146,692
Change in fair value of derivative liability	11	261,690	(575,505)
Gain on lease termination		316,209	-
Loss on settlement of debts		-	2,319
Shares issued for services		-	104,170
Changes in non-cash working capital items:			
Accounts receivable		3,856	(104,818)
Prepays and deposits		1,790,529	(5,494,912)
Sales taxes receivable		(34,224)	(53,368)
Accounts payable and accrued liabilities		1,097,004	147,514
Cash used in continuing operations		(6,947,825)	(17,797,068)
Cash used in discontinued operations		(230,705)	(1,501,516)
Cash used in operating activities		(7,178,530)	(19,298,584)
Investing activities			
Purchases of property and equipment		-	(292,949)
Note receivable		-	(12,061)
Lease payments	10	(35,466)	(84,462)
Net cash used in investing activities		(35,466)	(389,472)
Financing activities			
Proceeds from financings		6,119,301	15,332,904
Repayment of notes payable		(102,500)	-
Proceeds from notes payable		175,462	-
Share issuance costs		(384,825)	-
Warrants exercised		-	3,757,495
Net cash provided from financing activities		5,807,618	19,090,399
Foreign exchange on cash		-	471
Increase in cash during the period		(1,406,378)	(597,186)
Cash, beginning of the period		1,495,311	2,190,702
Cash, end of the period		\$ 88,933	\$ 1,593,516
Supplemental Cash Flow Information			
Interest paid		\$ -	\$ -
Taxes paid		\$ -	\$ -

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

MYDECINE INNOVATIONS GROUP INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
UNAUDITED
EXPRESSED IN CANADIAN DOLLARS

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 internationally. 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 September 30, 2022, the Company has an accumulated deficit of \$136,387,018 (December 31, 2021 - \$124,915,140), net loss from continuing operations of \$11,192,255 (September 30, 2021- \$12,106,595) and cash used from operating activities of \$6,947,825 (September 30, 2021- \$17,797,068). The Company’s ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to conduct its planned business, meet its on-going levels of corporate overhead and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. These material uncertainties may cast significant doubt as to the Company’s ability to continue as a going concern.

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

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:

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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)

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* (Note 5).

2. BASIS OF PRESENTATION

Statement of Compliance

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These unaudited condensed consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standards ("IAS") 34, Interim Financial Reporting. The disclosures contained in these unaudited condensed consolidated interim financial statements do not contain all requirements of IFRS for annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2021.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Company's Board of Directors on November 14, 2022.

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2. BASIS OF PRESENTATION

Basis of Measurement

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

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

Functional Currency

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

In preparing these condensed interim consolidated financial statements, the significant accounting policies and the significant judgments made by management in applying the Company's significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's audited condensed interim consolidated financial statements for the year ended December 31, 2021.

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4. ASSETS HELD FOR SALE

On August 31, 2022, The Company entered into a Letter of Intent (the “LOI”) with an arms length party 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. Pursuant to the terms of the LOI, the Company intends to sell Mindleap for \$4,000,000. Thus, the assets and liabilities related to Mindleap were classified as a disposal group held for sale as of September 30, 2022 and the results have been presented as discontinued operations. As of September 30, 2022, this transaction has not closed.

The major classes of assets held for sale and liabilities related to assets held for sale were as follows:

	September 30, 2022
Assets held for sale	\$
Cash	2,186
Tax receivable	22,053
	<u>24,239</u>
Liabilities held for sale	
Accounts payable	391,483

5. DISCONTINUED OPERATIONS

The proposed sale of Mindleap and spin out of cannabis assets (Note 1) 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 nine months ended September 30, 2022:

September 30, 2022	Mindleap \$
Expenses	
Corporate development	6,730
Consulting fees	148,304
Foreign exchange loss	(19,281)
Office and miscellaneous	69,380
Professional fees	23,927
Research and development	50,563
Net loss from discontinued operations	<u>(279,623)</u>

Net cash flows from discontinued operations are as follows during the period ended September 30, 2022:

September 30, 2022	Mindleap \$
Cash flows used in	
Operating activities	
Net loss for the period	(279,623)
Changes in non-cash working capital items:	
Accounts receivable	(3,042)
Prepays	(62,941)
Accounts payable and accrued liabilities	114,901
Cash used in operating activities	<u>(230,705)</u>

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5. DISCONTINUED OPERATIONS

The results of discontinued operations for the nine months ended September 30, 2021:

September 30, 2021	Cannabis Assets (Note 1) \$	Mindleap \$	Total \$
Revenues			
Sales	21,278	-	21,278
Cost of sales	(10,032)	-	(10,032)
Gross margin	11,246	-	11,246
Share of losses from investment in Joint Venture	(136,604)	-	(136,604)
Share of loss from investment in associate	(86,808)	-	(86,808)
Impairment of associate	(4,169,616)	-	(4,169,616)
Other expenses	(29,362)	(891,635)	(920,997)
Total operating expenses	(4,422,390)	(891,635)	5,314,025
Rental income	98,539	-	98,539
Research and development	-	(705,379)	(705,379)
Net loss from discontinued operations	(4,312,605)	(1,597,014)	(5,909,619)

Net cash flows from discontinued operations are as follows during the period ended September 30, 2021:

September 30, 2021	Cannabis Assets (Note 1) \$	Mindleap \$	Total \$
Cash flows used in			
Operating activities			
Net loss for the period	(4,312,605)	(1,597,014)	(5,909,619)
Items not affecting cash:			
Share of losses from investment in joint venture	136,604	-	136,604
Share of losses from investment in associate	87,132	-	87,132
Impairment of associate	4,169,616	-	4,169,616
Changes in non-cash working capital items:			
Accounts receivable	-	(6,875)	(6,875)
Inventory	6,028	-	6,028
Prepays	(11,449)	-	(11,449)
Accounts payable and accrued liabilities	(75,326)	102,373	27,047
Cash used in operating activities	-	(1,501,516)	(1,501,516)

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6. PREPAIDS AND DEPOSITS

	September 30, 2022	December 31, 2021
	\$	\$
Research and development	1,696,234	3,107,199
Corporate development	1,564,396	1,635,766
Advisory and public relations services	-	25,999
Insurance	66,659	236,934
Deposits	184,561	107,353
Deferred shares issuance costs	-	188,304
Other	-	13,464
Total	3,511,850	5,315,019
Short-term	2,559,173	3,521,125
Long-term	952,677	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 September 30, 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	41,861	73,707
Disposals	(124,722)	(92,001)	(216,723)
Balance, September 30, 2022	-	(6,248)	(6,248)
Net book values			
December 31, 2021	134,486	300,424	434,910
September 30, 2022	-	18,402	18,402

For nine months ended September 30, 2021, the Company recorded \$27,153 and \$19,946 of depreciation for property and equipment, respectively. As at September 30, 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 a loss on lease termination of \$340,554 on the Statement of Loss and Comprehensive Loss.

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

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

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

The following table reconciles the recorded value of the liability and the equity components of the convertible debentures at September 30, 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	665,912	-	-	665,912
Balance, September 30, 2022	5,020,214	670,604	175,756	5,866,574

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9. NOTES PAYABLE

During the nine months ended September 30, 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 September 30, 2022, the Company has fully repaid this loan.

On March 8, 2022, the Company entered into a secured note payable with an arms-length party for \$150,784 which bears a 5% interest rate annually and matures on March 7, 2023. The security interest in the Company includes certain current assets of the Company. During the period ended September 30, 2022, the Company recorded interest of \$2,783 (2021 - \$Nil) and made repayments of \$77,108. As at September 30, 2022, the note payable balance was \$85,194.

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. During the period ended September 30, 2022, the Company recognized a gain on lease termination of \$24,345 on the Statement of Loss and Comprehensive Loss.

The following is a continuity schedule of right-of-use assets for the period ended September 30, 2022 and the year ended December 31, 2021:

	Research and development facility \$
Right-of-use assets	
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, September 30, 2022	-

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10. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The following is a continuity schedule of the lease liability for the period ended September 30, 2022 and the year ended December 31, 2021:

	Research and development facility
Lease liabilities	\$
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, September 30, 2022	-

11. DERIVATIVE LIABILITIES

The derivative liabilities consist of Mindleap's Anti-Dilution Securities for 1,590,909 shares . The number of shares to be issued are variable.

	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	(1,462,324)
Change in fair value of derivative liabilities	261,690
Balance, September 30, 2022	79,660

The fair value of the derivative liabilities at September 30, 2022 was estimated using the Monte Carlo pricing model and the following assumptions:

- Risk free interest rate: 2.76
- Volatility: 197.05%
- Market price of common shares: \$0.62

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12. SHARE CAPITAL AND CONTRIBUTED SURPLUS

(a) Authorized: Unlimited common shares without par value

Period ended September 30, 2022:

Issued: common shares 11,152,897 (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 \$86,296 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 \$1,462,324 .

On February 3, 2022, the Company issued 27,997 anti-dilution common shares in relation to Neuropharm's acquisition with a fair value of \$294,235.

On March 30, 2022, the Company completed a private placement and issued 70,547 common shares for gross proceeds of \$366,667. The Company paid finder's fees of \$43,334 and professional costs of \$67,545.

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 \$87,903.

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 \$186,043. The Company issued 49,560 broker warrants and 121,739 advisory warrants with fair values of \$45,371 and \$111,448, respectively. The broker and advisory warrants entitle the holder to purchase one additional common share at a price of \$1.15 for a period of 5 years from the date of issuance. The fair value of the broker and advisory warrants was measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - \$1.02; exercise price - \$1.15; expected life - 5 years; volatility - 146%; dividend yield - Nil; and risk-free rate - 2.59%.

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

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

Period ended September 30, 2021:

During the nine-months ended September 30, 2021, the Company issued 276,246 common shares pursuant to warrant exercises for gross proceeds of \$3,757,495. The Company transferred \$766,020 from reserves to share capital.

During the period ended September 30, 2021, the Company issued 1,853 common shares with a fair value of \$45,400 to settle debt of \$43,081 and recorded a gain on settlement of debt of \$2,319.

On March 4, 2021, the Company issued 8,812 anti-dilution common shares with a fair value of \$174,032, which was transferred from derivative liability to share capital.

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During the period ended September 30, 2021, the Company issued 295,979 common shares pursuant to the conversion of convertible debt of \$2,812,606. The Company transferred \$237,500 from equity component of convertible debentures to share capital.

During the period ended September 30, 2021, the Company issued 8,994 common shares, pursuant to various employment and consulting agreements, as compensation for services with a fair value of \$104,170.

On February 8, 2021, the Company completed a bought-deal financing and issued 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 17,250 Finance Fee Units and 48,300 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 \$35.00 per warrant. The fair value of the Finance Unit was measured using 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 48,300 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%.

Stock Options

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

During the periods ended September 30, 2022 and 2021, the Company did not grant any stock options.

As at September 30, 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
20,000	\$13.00	September 30, 2025
263,863	\$11.50	

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A summary of the status of the Company's stock options outstanding and exercisable as at September 30, 2022 and December 31, 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
Balance, September 30, 2022	263,863	\$ 11.50

The stock options have a weighted average remaining life of 2.91 years.

Warrants

As at September 30, 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
152,055	152,055	\$15.00	December 4, 2022
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
4,317,537	4,317,537		

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A summary of the status of the Company's warrants outstanding and exercisable as at September 30, 2022 and December 31, 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	(93,005)	(2.50)
Balance, September 30, 2022	4,317,537	9.08

Escrowed Shares

As at September 30, 2022 and December 31, 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 September 30, 2022 and December 31, 2021.

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13. FINANCIAL INSTRUMENTS AND RISK FACTORS

As at September 30, 2022				
		Level 1	Level 2	Level 3
Cash	\$	88,933	\$ -	\$ -
Total financial assets		\$ 88,933	\$ -	\$ -
Notes payable (Note 9)	\$	-	\$ 85,194	\$ -
Convertible debentures (Note 8)		-	5,020,214	-
Derivative liabilities (Note 11)		-	79,660	-
Total financial liabilities	\$	-	\$ 5,185,068	\$ -
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 September 30, 2022, to the exception of long-term portion of lease liabilities and convertible debentures. See the five-year commitment and contingency schedule at Note 15.

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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 condensed interim consolidated financial statements.

14. RELATED PARTY TRANSACTIONS

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

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

<i>Management Compensation</i>			
	Non-cash stock compensation \$	Salary, bonus, and consulting fees \$	Total compensation \$
<i>Period Ended September 30, 2022</i>			
Director and management fees paid or accrued to the CEO	-	254,850	254,850
Director and management fees paid or accrued to the former CFO	-	189,200	189,200
Management fees paid or accrued to the CFO	-	3,454	3,454
Management fees paid or accrued to the COO	-	254,850	254,850
Management fees paid or accrued to other officers of the Company	-	674,550	674,550
Director fees or accrued	-	87,500	87,500
Total	-	1,464,404	1,464,404

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14. RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2022, the Company has an accrual for deferred salary, bonuses, and compensation for \$315,799 (December 31, 2021- \$Nil) for the executive team and board directors included in accounts payable and accrued liabilities within the condensed interim consolidated statement of financial position.

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

15. COMMITMENTS

For the period ended September 30, 2022, the Company has numerous agreements which have created both a short term and long commitments. These commitments consist of universities, research and development facilities, and rent. These commitments are within the normal course of business.

	Current	2023	2024	2025	2026	Total
Research contracts with universities	253,940	253,940	253,940	253,940	-	1,015,760
Notes payable (Note 9)	-	85,194	-	-	-	85,194
Convertible debenture (Note 8)	-	-	5,500,000	-	-	5,500,000
Other research and development contracts	689,763	590,400	590,400	590,400	-	2,222,400
Total	943,703	929,534	6,344,340	844,340	-	8,823,354

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

In addition to the above table, the Company has a total of \$2,365,916 in accounts payable and accruals due in the next twelve months.

16. SUBSEQUENT EVENTS

On November 1, 2022, the Company issued 946,396 common shares for gross proceeds of \$500,000.