Albert Labs International Corp.
(Formerly ME Resources Corp.)

Consolidated Financial Statements

Years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

ALBERT LABS INTERNATIONAL CORP.

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To: the Shareholders of
Albert Labs International Corp. (**ME Resource Corp.)**

Opinion
I have audited the financial statements of Albert Labs International Corp. (the "Company"), which comprise the statement of financial position as at December 31, 2022 and 2021 and the statement of loss and comprehensive loss, statement of cash flows and statement of changes in shareholders' equity for the year December 31, 2022 and 2021 and notes to the financial statements, including a summary of significant accounting policies.

In my 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 (IFRSs).

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

Material Uncertainty Related to Going Concern
I draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of $7,058,813 during the year ended December 31, 2022 and, as of that date, the Company had not yet achieved profitable operations, had accumulated losses of $9,370,951 since its inception, and expects to incur further losses in the development of its business. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current year. These matters were addressed in the context of my audit of the financial statements as a whole, prepared under the conditions mentioned above, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Reverse Takeover Transaction

During the year ended December 31, 2022, the Company completed a reverse takeover transaction which is described in notes 1 and 4 of the financial statements.

The reverse takeover transaction is a significant transaction which requires management to exercise judgement and make estimates. As a result, I consider this to be a key audit matter.

My audit procedures included, but were not limited to:

- Obtaining and reviewing agreements associated with the transaction.
- Ensuring the transaction constitutes a reverse acquisition as defined by IFRS.
- Ensuring the purchase price equation is calculated appropriately.
- Completing audit procedures on opening balance accounts, including cut-off procedures as at the transaction date.
- Ensuring necessary disclosure is included in the financial statements.

Other Information

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

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

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I 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 IFRSs, 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

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that I 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 my independence, and where applicable, related safeguards.

The engagement practitioner on the audit resulting in this independent auditor's report is Sam S. Mah, CPA, CA.

"Sam S. Mah Inc."

Chartered Professional Accountant

Burnaby, BC, Canada
June 2, 2023

Albert Labs International Corp. (Formerly ME Resources Corp.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2022	December 31, 2021
	$	$
ASSETS		
Current assets		
Cash	79,122	76,697
Amounts receivable (Note 4)	-	131,017
Note receivable (Note 5)	12,360	
Prepaid	-	10,000
	91,482	217,714
Non-current assets		
Prepayment (Note 7)	-	128,666
Equipment and furniture (Note 7)	72,277	11,410
Total assets	163,759	357,790
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	369,076	856,117
Due to related parties (Note 8)	160,000	4,199
	529,076	860,316
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	7,856,756	1,791,575
Subscription received	106,000	18,037
Reserves	1,074,026	-
Accumulated other comprehensive loss	(31,148)	-
Deficit	(9,370,951)	(2,312,138)
	(365,317)	(502,526)
Total shareholders' equity and liabilities	163,759	357,790

Note 1: Nature and operation and going concern

Authorized for issuance by the Board of Directors on June 2, 2023

/s/Michael Raymont
Director

/s/Chand Jagpal
Director

See accompanying notes to the consolidated financial statements

Albert Labs International Corp. (Formerly ME Resources Corp.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

Years ended December 31,	**2022**	**2021**
	$	$
Expenses		
Amortization	3,422	2,014
Consulting and management	782,423	984,441
General and administration	195,310	77,801
Listing expenditures	2,917,440	-
Promotion and advertisement	138,685	107,241
Professional fees	127,247	68,846
Research	1,505,622	465,167
Salaries and wages	238,522	106,360
Share-based compensation	1,074,026	-
Travel	76,116	67,091
Loss and comprehensive loss	(7,058,813)	(1,878,961)
loss per share – basic and diluted*	(0.13)	(0.05)
Weighted average number of outstanding common shares, basic and diluted	56,415,200	39,761,700

***Post 1:10 share consolidation (Note 4)**

See accompanying notes to the consolidated financial statements

Albert Labs International Corp. (Formerly ME Resources Corp.)
Consolidated Statements of Changes in Equity (Deficiency)
(Expressed in Canadian Dollars)

	Share capital						
	Number of shares	**Amount**	**Subscription received**	**Option reserve**	**Accumulated other comprehensive loss**	**Deficit**	**Total**
		$	**$**	**$**	**$**	**$**	**$**
Balance, December 31, 2020	38,663,800	693,675	-	-	-	(433,177)	260,498
Shares issued for cash	4,391,598	1,097,900	-	-	-	-	1,097,900
Subscription received	-	-	18,037	-	-	-	18,037
Loss for the year	-	-	-	-	-	(1,878,961)	(1,878,961)
Balance, December 31, 2021	43,055,398	1,791,575	18,037	-	-	(2,312,138)	(502,526)
Shares issued for subscription received in 2021	71,468	17,867	(18,037)	-	170	-	-
Shares issued for cash, net of finder's fees of $211,787 (Note 4)	6,540,927	1,423,445	-	-	-	-	1,423,445
Shares issued for debt settlement (Note 4)	8,826,740	2,206,685	-	-	-	-	2,206,685
Share issuance to shareholders of MEC (Note 1)	6,367,192	1,591,798	-	-	-	-	1,591,798
Share issuance to creditors of MEC (Note 1)	3,301,542	825,386		-	-	-	825,386
Subscription received	-	-	106,000	-	-	-	106,000
Share-based compensation	-	-	-	1,074,026	-	-	1,074,026
Translation of subsidiary	-	-	-	-	(31,318)	-	(31,318)
Loss for the year	-	-	-	-	-	(7,058,813)	(7,058,813)
Balance, December 31, 2022	68,163,267	7,856,756	106,000	1,074,026	(31,148)	(9,370,951)	(365,317)

See accompanying notes to the consolidated financial statements

Albert Labs International Corp. (Formerly ME Resources Corp.)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

Years year ended December 31,	**2022**	**2021**
		$
OPERATING ACTIVITIES		
Loss for the year	(7,058,813)	(1,878,961)
Items not involve cash		
Amortization	3,422	2,014
Shares issued for debt settlement	2,046,259	-
non-cash listing expenses	2,917,440	-
Share-based compensation	1,074,026	-
Non-cash research cost	128,666	
Changes in non-cash working capital items:		
- accounts payable and accrued liabilities	(556,390)	825,602
- prepaid	10,000	(10,000)
- Receivable	2,696	149,383
Cash used in operating activities	(1,432,694)	(911,962)
Cash flows from financing activities		
Proceeds from shares subscription received	87,963	18,037
Proceeds from shares issuance, net of finder's fees	1,423,445	1,097,900
Cash provided by financing activities	1,511,408	1,115,937
Cash flows from investing activities		
Increase of note receivable	(12,000)	-
Payment of prepayment for leasehold improvement	-	(128,666)
Purchase of equipment	(64,289)	(13,424)
Cash used in investing activities	(76,289)	(142,090)
Net cash inflow	2,425	61,885
Cash, beginning of year	76,697	10,812
Cash, end of year	79,122	72,697

See accompanying notes to the consolidated financial statements

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Business Combination

The accompanying consolidated financial statements have been prepared after giving effect to the reverse takeover ("RTO") of ME Resources Corp. ("MEC") by Albert Labs Inc. ("AL") which was completed on March 10, 2022, whereby MEC has acquired AL as its wholly owned subsidiary. As the shareholders of AL acquired control of the combined entity, AL is considered the accounting acquirer of the RTO and AL is considered the accounting parent of MEC

MEC was incorporated under the Business Corporation Act (British Columbia) on October 16, 2009. Before the Completion of the RTO, MEC's shares commenced trading on the Canadian Securities Exchange ("CSE") under the symbol MEC.

Albert Labs Inc., ("AL") was incorporated under the Business Corporation Act (British Columbia) on September 16, 2020. The Company's head and registered office address is 201-6996 Merritt Avenue, Burnaby, BC, V5J 4R6.

MEC has changed its name to Albert Labs International Corp. ("AL Intl" or the "Company") upon the completion of the RTO. The Company's shares commenced trading on the CSE under the name ABRT commencing March 10, 2022.

At the date of acquisition, MEC did not meet the definition of a business and, accordingly, the transaction has been accounted for as an acquisition of assets by AL. The acquisition is accounted for in accordance with IFRS 2 *Share Based Payments* and IFRS 3 *Business Combination* ("IFRS 3"). MEC did not qualify as a business as defined in IFRS 3 as there were no substantive processes in place. The net assets and liabilities of MEC have been measured at their fair value on the acquisition date with the allocation of proceeds as follow:

Proceeds of acquisition	$
Fair value of 6,367,192 common shares of AL issued to MEC's shareholders (Note 4)	1,591,798
Fair value of 3,301,542 common shares of AL issued to MEC's creditors for debt settlement (Note 4)	825,386
Assumption of accounts payable and due to related parties of MEC	1,325,612
Gain from debt settlement with creditors of MEC (Note 4)	(825,356)
Listing expenses	2,917,440

As the fair value of tangible and intangible assets held by MEC was $Nil when the RTO was completed, the whole amount of proceeds of acquisition has been expensed as listing expenditures for the Company to list its common shares on the CSE.

The Company's principal line of business is to research and develop drugs to ensure accelerated access to safe and effective psychedelic-assisted therapy for patients with urgent, unmet needs.

Going Concern

These consolidated financial statements have been prepared using International Financial Reporting Standards applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company's continuation as a going concern is dependent whether the Company can

1. NATURE AND CONTINUANCE OF OPERATIONS (CONTINUED)

Going Concern (continued)

develop an economically viable business, and generate funds there from and/or raise equity capital to meet current and future obligations. The Company has not yet achieved profitable operations and expects to incur further losses in the development of its business. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Should the Company be unable to continue as going concern, the net realizable value of its assets may be materially less than the amounts on its statements of financial position.

2. BASIS OF PRESENTATION

Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

These financial statements were authorized for issue by the Board of Directors on June 2, 2023.

Basis of Preparation

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements incorporate the accounts of the Company and its wholly owned subsidiaries, Albert Labs UK Ltd., a company incorporated in the United Kingdom. A subsidiary is an entity in which the Company has control, where control requires exposure or rights to variable returns and the ability to affect those returns through power over the investees. All intercompany transactions and balances have been eliminated on consolidation.

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments and the recognition and measurement of deferred tax assets.

The comparative figures of 2021 presented in these consolidated financial statements belong to AL, which is the accounting parent of the RTO.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgment in applying the Company's financial statements include:

- the classification of financial instruments;
- the assessment of the Company's ability to continue as a going concern; and
- the determination of the recoverability of the Company's deferred tax assets
- share-based payments and compensation

3. SIGNIFICANT ACCOUNTING POLICIES

Financial Instruments
Financial assets

(a) Recognition and measurement of financial assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

(b) Classification of financial assets

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income ("FVTOCI") or measured at fair value through profit or loss ("FVTPL").

(i) Financial assets measured at amortized cost – A financial assets that meets both of the following conditions is classified as a financial asset measured at amortized cost:
- The Company's business model for the such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value less transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary. The Company's cash and amounts receivable are financial asset measured at amortized cost.

(ii) Financial assets measured at FVTP - A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises. The Company does not have financial assets measured at FVTPL.

(iii) Financial assets measured at FVTOCI - A financial asset measured at fair value through other comprehensive income is recognized initially at fair value less transaction costs directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income. The Company does not have financial assets measured at FVTOCI.

(c) Derecognition of financial assets

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the statement of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (continued)

Financial liabilities

(a) Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

(d) Classification of financial liabilities

The Company classifies financial liabilities at initial recognition as financial liabilities measured at amortized cost or measured at fair value through profit or loss.

(i) Financial liabilities measured at amortized cost - A financial liability at amortized cost is initially measured at fair value less transaction costs directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at The Company's accounts payable and accrued liabilities, and due to related parties are financial liabilities measured at amortized cost.

(ii) Financial liabilities measured at FVTPL- A financial liability measured at FVTPL is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

The Company does not have any financial liabilities measured at FVTPL.

(c) Derecognition of financial liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of comprehensive loss.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of financial assets

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 twelve month expected credit losses. The Company shall recognize in the statement of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loss per share

The Company presents the basic and diluted loss per share data for its common shares by dividing the loss by the weighted average number of common shares outstanding during the year. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Foreign currency translation

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. The functional currency of Albert Labs UK Ltd. is the British Pounc ("GBP").

<u>Transactions and balances:</u>

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

<u>Foreign operations:</u>

The financial results and position of foreign operations whose functional currency is different from the Company's functional currency will be translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recorded to the Company's other comprehensive loss.

Property and equipment

Property and equipment is stated at historical cost less accumulated amortization and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Amortization is calculated using the straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The amortization rates applicable to each category of equipment are as follows:

Class of property and equipment	Depreciation rate
Equipment	30 % declining balance
Research equipment	30 % declining balance

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

Current income tax:

Current income tax assets and liabilities for the period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax:

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

As the fair value of tangible and intangible assets held by MEC was $Nil when the RTO was completed, the whole amount of proceeds of acquisition has been expensed as listing expenditures for the Company to list its common shares on the CSE.

Share-based payments and compensation

The Company has applied estimates with respect to the valuation of shares issued for non-cash consideration. Shares are valued at the fair value of the equity instruments granted at the date the Company receives the goods or services. The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimated fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the fair value of the underlying common shares, the expected life of the share option, volatility and dividend yield and making assumptions about them. The fair value of the underlying common shares is assessed as the most recent issuance price per common share for cash proceeds. The assumptions and models used for estimating fair value for share-based payment transactions are discussed in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The Company recognizes a right-of-use asset and a lease liability for its leases with lease terms greater than one year. The right-of-use asset is measured at cost and depreciated over its estimated useful life. At the commencement date, the lease liability is measured as the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease or if that rate cannot readily be determined, the Company's incremental borrowing rate. If the lease terms are subsequently changed, the present value of the lease liability is remeasured using the revised lease terms and applying the appropriate discount rate to the remaining lease payments. The Company recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, of the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the remeasurement in profit or loss.

Future accounting pronouncements

A number of new standards, amendments to standards and interpretations are not yet effective as at the date of issuing these statements and have not been applied in preparing these financial statements. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

4. SHARE CAPITAL

a) Share capital

Authorized share capital: An unlimited number of common shares without par value.

Share consolidation

On March 10, 2022, the company completed a consolidation of its common shares on the basis of one post-consolidated share for every 10 pre-consolidated shares. All references to share and per share amounts in these financial statements have been retroactively restated to reflect the share consolidation.

Issued and outstanding:

2022
Following common shares of the Company were issued:

- Issuance of 8,826,740 common shares at $0.25 per shares to settle accounts payable and for services rendered.
- Issuance of 6,540,927 common shares pursuant to a private placement at $0.25 per share for cash with $211,787 finder's fees paid.
- Issuance of 6,367,192 common shares to shareholders of MEC at $0.25 per share in exchange for 6,367,192 common shares of MEC (Note 1) in connection with the RTO.
- Issuance of 3,301,542 common shares to creditors of MEC at $0.25 per share (totalling $825,356) for debt settlement of $1,650,712. The Company recorded a gain of settlement of $825,356 which was recorded as a reduction of the listing expenses (Note 1).
- Issuance of 71,468 common shares at $0.25 per share to account for share subscription of $18,037 received in 2021.

2021
The Company issued 4,391,598 common shares through private placement at $0.25 per share for proceeds of $1,097, 900. The Company also received $18,037 share subscription at $0.25 per share.

(Expressed in Canadian Dollars)

4. SHARE CAPITAL (CONTINUED)

b) Stock option

The Company has a stock option plan under which employees, directors, and key consultants and/or advisors are eligible to be granted options. Under the stock option plan, which was approved by the shareholders, the maximum number of outstanding stock options under the plan is 10% of the number of the common shares outstanding. The number of stock options and the exercise price is set by the Company's Board of Directors based on the market value at the time of granting.

Options issued and outstanding are as follows:

	Number.	Exercise Price	Expiry date
Balance, December 31, 2020 and 2021	-	N/A	N/A
Stock options, issued October 20, 2022	5,325,000	$0.10	20, Oct, 2027
Stock options, issued October 20, 2022	410,000	$0.25	20, Oct, 2024
Balance December 31, 2022	**5,735,000**	**$0.11**	
Options exercisable, December 31, 2022	**1,475,000**	**$0.14**	

As at December 31, 2022, the weighted average exercise price of the outstanding stock options is $0.11 per share (2021 – N/A) with a remaining life of 4.59 years (2021 – N/A).

On October 21 2022, the Company granted 5,325,000 stock options to the Company's directors and officers, These options have a five-year term, with an exercise price of $0.10 per share, whereby 20% of these options vested at the grant date and at each of four consecutive anniversary thereafter.

On October 31, 2022, the Company granted 410,000 stock options to a consulting firm. These options have a two-year term, with an exercise price of $0.25 per share, whereby 100% of these options vested at the grant date.

The fair value of the options were determined by using Black-Scholes option pricing model with the following assumptions:

	2022	**2021**
Expected volatility	100%	N/A
Expected life	2-5 years	N/A
Risk-free interest rate	3.84%-4.28%	N/A
Expected forfeiture rate	0%	N/A
Expected dividend	-	N/A

During the year ended December 31, 2022, the Company recorded share-based compensation of $1,074,026 (2021 - $Nil)

5. NOTE RECEIVABLE

As at December 31, 2022, the Company's note receivable comprised solely of a promissory note advance to an arm's length entity with a carrying value of $12,360. This unsecured promissory note has a principal of $12,000, is payable on demand, and has an interest rate of 6% per annum.

(Expressed in Canadian Dollars)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2022	December 31, 2021
	$	$
Trade payables	209,853	668,660
Accrued liabilities	159,223	37,457
	369,076	706,117

7. PROPERTY AND EQUIPMENT

	Research equipment	Equipment and furniture	Total
	$	$	$
Cost:			
December 31, 2020	-	-	-
Addition	-	13,424	13,424
December 31, 2021	-	13,424	13,424
addition	75,634	-	75,634
December 31, 2022	75,634	13,424	89,058
Accumulated amortization			
December 31, 2020	-	-	-
Addition	-	2,014	2,014
December 31, 2021	-	2,014	2,014
addition	11,345	3,422	14,767
December 31, 2022	11,345	5,436	16,781
Net:			
December 31, 2021	-	11,410	11,410
December 31, 2022	64,289	7,988	72,277

During 2021, the Company paid $128,666 to the landlord to renovate this premises which was included as a long-term prepayment as at December 31, 2021. As the underlying office lease expired as of December 31, 2022, the Company expensed the whole amount of $128,666 for the year ended December 31, 2022.

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS

a) Transactions with key management personnel and directors were as follows:

Year ended December 31	**2022**	**2021**
Consulting fees	$	$
Director and CEO	180,000	125,000
Director and CFO	60,000	-
Director	180,000	180,000
Share-based compensation	605,085	-

During the year ended December 31, 2022, an amount of $586,590 of consulting fees charged by related parties have been settled by Company's common shares at $0.25 per share. The Company also issued common shares at $0.25 per share to settle the amount of $395,000 accounts payable for unpaid consulting fees charged in 2021 (Note 4).

During the year ended December 31, 2022, the director and CFO assigned $125,000 in accounts payable to a non-related party; and pursuant to a Debt Settlement Agreement dated March 11, 2022, the debt was settled by issuance of 250,000 of common shares at a deemed price $0.50 per share. A gain on settlement on the issuance of shares of $0.25 per common share was recognized as a reduction of the listing expenses.

b) Balances due to related parties:

Amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

Due to Related parties	**December 31, 2022**	**December 31, 2021**
	$	$
Director and CEO	10,000	125,000
Director and CFO	60,000	-
Director	90,000	180,000
	160,000	395,000

9. FINANCIAL INSTRUMENTS

Fair value
The fair value of the Company's financial assets and liabilities approximate their carrying amount due to their short terms to maturity.

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's exposure to credit risk is on its cash held. The Company's cash is deposited in two banks with high creditworthy.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. Historically, the Company's sole source of funding has been the issuance of equity

(Expressed in Canadian Dollars)

9. FINANCIAL INSTRUMENTS (CONTINUED)

securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. The Company's liquidity risk as assessed as high.

Interest Rate Risk
Interest rate risk refers to the risk that fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company does not have material financial assets or liabilities that are exposed to fluctuation of interest rate. As a result, the exposure to interest rate risk is not significant.

Currency Risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in its functional currency. The Company does not manage currency risk through hedging or other currency management tools.

As at December 31, 2022 and December 31, 2021, the Company's exposure to foreign currency risk on its financial instruments is as follows:

		December 31, 2022		**December 31, 2021**
Cash	GBP	-	GBP	20,139
Canadian dollar equivalent	$	-	$	35,000

A 10% change in the British Pound against the Canadian dollar at December 31, 2022 would not have a material impact to the Company's comprehensive loss.

10. CAPITAL MANAGEMENT

The capital structure of the Company consists of equity attributable to common shareholders comprising share capital, reserves, and accumulated deficit. The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern and enable it to provide shareholder returns and benefits for all stakeholders in the development of its mineral property interests.

The Company manages and adjusts its capital structure in response to changes in the risk characteristics of its underlying assets and/or changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new shares or other equity instruments. The Company is not subject to externally imposed capital requirements.

11. SEGMENT

The Company operates primarily in one business segment: research and development of drugs to ensure accelerated access to safe and effective psychedelic-assisted therapy for patients with urgent, unmet needs.

The Company operates in two areas, Canada and the United Kingdom as of December 31, 2022, a breakdown of the Company's non-current assets and liabilities by area is as follows:

	United Kingdom	Canada	Total
	$	$	$
Property and equipment	64,290	7,987	72,277

(Expressed in Canadian Dollars)

11. SEGMENT (CONTINUED)

As of December 31, 2021, a breakdown of the Company's non-current assets and liabilities by area is as follows:

	United Kingdom	Canada	Total
	$	$	$
Prepaid expense, non-current	-	-	128,666
Property and equipment	-	11,410	11,410

12. INCOME TAXES

The reconciliation of income tax attributable to continuing operations computed at the statutory tax rate of 27% Canada and 19% UK to income tax expense is:

	Albert Labs Canada	Albert Labs UK	**2022**	**2021**
Income (Loss) for the year	$ (5,885,112)	$ (1173,701)	$(7,058,813)	$ (1,878,961)
Tax rate	27.0%	19.0%		
Tax based on statutory tax rate	$ (1,588,980)	$ (223,002)	$ (1,811,982)	$(476,119)
Unrecognized benefit of non-capital losses	1,588,980	223,002	1,811,982	476,119
Total income taxes	$ -	$ -	$ -	$ -

Deferred taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases. Deferred tax assets are evaluated periodically and if realization is not considered likely, a valuation allowance is provided.

Albert Labs Canada has available non-capital losses of approximately $7,846,000 which may be carried forward to apply against future income for tax purposes. These losses will expire on 2040 - 2042.

Albert Labs UK has available non-capital losses of approximately $1,564,000 which may be carried forward to apply against future income for tax purposes. These losses will expire on 2042.

The Company's tax – effected deferred tax assets are estimated as follows:

	2022	**2021**
Potential future tax assets		
Non-capital losses carried forward	$ 9,404,000	$ 2,314,000
Tax value of equipment in excess of book value	5,000	2,000
	9,409,000	2,316,000
Potential tax recovery at substantially enacted rate 19% - 27.0% (2021 – 19% - 27.0%)	2,411,000	2,411,000
Net potential future income tax assets	2,411,000	594,000
Valuation allowance (100%)	(2,411,000)	(594,000)
Net future tax assets	$ -	$ -

Tax attributes are subject to review, and potential adjustment by tax authorities.

13. SUBSEQUENT EVENTS

The Company has closed a non-brokered private placement for gross proceeds of up to $300,000 (the "**Offering**"), at a price of CAD $0.048 per Unit (the "**Units**"). Each Unit is comprised of one common share of Albert Labs (the "**Common Share**") and one non-transferable Common Share purchase warrant (the "**Warrant**"). Each full Warrant will be exercisable to acquire one common share of Albert Labs at an exercise price of CAD $0.07 for 24 months from the date of the closing of the Private Placement. All securities issued in connection with the Offering will be subject to a hold period of four months plus a day from the date of issuance and the resale rules of applicable securities legislation.

The Company has announced a non-brokered private placement for gross proceeds of up to $3,000,000 (the "**Private Placement**"), at a price of $0.08 per Unit (the "**Units**"). Each Unit is comprised of one common share of Albert Labs (the "**Common Share**") and one half of one non-transferable Common Share purchase warrant (the "**Warrant**"). Each full Warrant will be exercisable to acquire one common share of Albert Labs at an exercise price of $0.12 for 12 months from the date of the closing of the Private Placement. The Company may decrease the size of the Private Placement. All securities issued in connection with the Offering will be subject to a hold period of four months plus a day from the date of issuance and the resale rules of applicable securities legislation.