

BETTERLIFE PHARMA INC.
Consolidated Financial Statements
Years ended January 31, 2023, 2022 and 2021
(Expressed in Canadian dollars)



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of BetterLife Pharma Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of BetterLife Pharma Inc. as of January 31, 2023 and 2022, and the related consolidated statements of loss and other comprehensive loss, shareholders' (deficit) equity, and cash flows for each of the years in the three-year period ended January 31, 2023, and the related notes (collectively referred to as the consolidated financial statements).

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of January 31, 2023 and 2022, and the results of its consolidated operations and its consolidated cash flows for each of the years in the three-year period ended January 31, 2023, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Material Uncertainty Related to Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 of the consolidated financial statements, the Company has not earned any revenue and has an accumulated deficit that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter is also described in the "Critical Audit Matters" section of our report.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgment. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matters or on the accounts or disclosures to which they relate.

MNP LLP

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Going Concern Assessment

Critical Audit Matter Description

As described in note 1 to the consolidated financial statements, the consolidated financial statements of the Company are prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations. As at January 31, 2023, the Company has not earned any revenue and has an accumulated deficit and expects to incur additional losses in the future. The ability of the Company to continue as a going concern is dependent on raising capital to fund its initial business plan and ultimately to attain profitable operations. Accordingly, the Company has determined that these factors raise substantial doubt as to the Company's ability to continue as a going concern for a period of one year from the end of the reporting period being January 31, 2023. Management intends to continue to fund its business by way of equity issuances as may be required, in order to satisfy the Company's obligations as they come due for at least one year from the end of the reporting period. However, the Company has not concluded that these plans alleviate the substantial doubt related to its ability to continue as a going concern. This matter is also described in the "Material Uncertainty Related to Going Concern" section of our report.

We determined the Company's ability to continue as a going concern is a critical audit matter due to the estimation and uncertainty regarding the Company's available capital and the risk of bias in management's judgments and assumptions in their determination.

Audit Response

We responded to this matter by performing procedures over management's assessment of the Company's ability to continue as a going concern. Our audit work in relation to this included, but was not restricted to, the following:

- We enquired of Company's management and assessed Company records to assess whether there are additional factors that contribute to the uncertainties disclosed.
- We assessed whether the Company's determination that there is substantial doubt about its ability to continue as a going concern was adequately disclosed in the consolidated financial statements.
- We evaluated the probability of management's plans for the Company to be able to achieve successful equity financings.
- We evaluated the probability that the Company will be able to reduce capital and operating expenditures, if required.
- We assessed management's plans in the context of other audit evidence obtained during the audit to determine whether it supported or contradicted the conclusion reached by management.

We have served as the Company's auditor since 2019.

MNP LLP

Vancouver, Canada

May 29, 2023

BETTERLIFE PHARMA INC.Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	January 31, 2023 \$	January 31, 2022 \$
Assets		
Current assets		
Cash	8,307	173,513
Amounts receivable	17,196	324,993
Prepays and other current assets	49,224	644,422
Total current assets	74,727	1,142,928
Non-current assets		
Property and equipment, net (Note 7)	–	18,435
Total assets	74,727	1,161,363
Liabilities and Shareholders' Deficit		
Current liabilities		
Accounts payable and accrued liabilities	5,436,024	3,341,261
Due to related parties (Note 18)	964,261	144,867
Income tax payable (Note 19)	–	160,006
Financial guarantee liability (Notes 9 and 21(e))	667,042	218,780
Convertible debentures (Note 10)	–	237,880
Loans payable (Note 11)	80,000	40,000
Warrant liabilities (Note 13(a))	–	353
Total current liabilities	7,147,327	4,143,147
Non-current liabilities		
Financial guarantee liability (Notes 9 and 21(e))	440,170	864,515
Loans payable (Note 11)	–	34,559
Warrant liabilities (Note 13(b))	20,700	–
Total liabilities	7,608,197	5,042,221
Deficit		
Common shares (Note 12)	76,571,515	75,384,509
Common shares issuable (Note 12(d))	74,000	–
Reserves (Notes 13(c), 14 and 15)	24,581,942	23,655,647
Accumulated other comprehensive income	231,003	249,466
Accumulated deficit	(112,186,681)	(103,170,480)
Deficit attributable to shareholders	(10,728,221)	(3,880,858)
Non-controlling interests (Note 16)	3,194,751	–
Total deficit	(7,533,470)	(3,880,858)
Total liabilities and deficit	74,727	1,161,363

Nature of operations and going concern (Note 1), commitments and contingencies (Note 21) and events after the reporting date (Note 26)

Approved on behalf of the Board of Directors

"Ahmad Doroudian" Director"Ralph Anthony Pullen" Director

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

BETTERLIFE PHARMA INC.Consolidated Statements of Loss and Other Comprehensive Loss
(Expressed in Canadian dollars)

	January 31, 2023 \$	Years Ended January 31, 2022 \$	January 31, 2021 \$
Expenses			
Amortization and depreciation of equipment and intangible assets (Notes 7 and 8)	18,435	18,436	157,760
Amortization of right-of-use assets (Note 9)	–	–	(69,849)
Consulting fees	3,529,884	1,045,539	1,982,846
Foreign exchange loss (gain)	203,212	238,206	(39,050)
General and administrative	280,467	425,865	1,743,415
Lease liability expense (Note 9)	–	–	479,164
Professional fees	895,379	879,054	1,447,202
Promotion and marketing	123,219	437,689	185,952
Repairs and maintenance	–	–	22,808
Research and development	2,677,286	5,420,634	284,700
Wages, salaries and employment expenses	1,732,771	1,742,402	1,720,419
Total expenses	9,460,653	10,207,825	7,915,367
Loss from operations	(9,460,653)	(10,207,825)	(7,915,367)
Other income (expenses)			
Accretion expense (Notes 10 and 11)	(55,687)	(6,584)	(33,054)
Change in unrealized gains (losses) on warrant liabilities (Notes 13(a) and 13(b))	5,362	131,250	(73,885)
Financial guarantee expense (Notes 9 and 21(e))	(23,917)	(1,224,522)	(182,200)
Gain on sale/abandonment of assets, net (Notes 4 and 5)	–	191,699	804,429
Interest expense	(11,491)	(51,761)	(7,046)
Interest income	–	–	265
(Loss) gain on debt modification (Note 10)	(197,205)	56,264	–
Loss on impairment of intangible assets (Note 8)	–	–	(12,116,908)
Other	18,136	26,933	(40,358)
Penalties recovery (expense) (Note 19)	94,973	(344,492)	–
Settlements and legal provisions, net (Notes 4, 18 and 21)	257,710	(563,470)	(120,000)
Unidentifiable assets acquired (Note 6(a))	–	–	(16,666,666)
Total other income (expenses)	87,881	(1,784,683)	(28,435,423)
Net loss before income taxes	(9,372,772)	(11,992,508)	(36,350,790)
Income tax expense (Note 19)	–	(166,666)	–
Net loss for the year	(9,372,772)	(12,159,174)	(36,350,790)
Other comprehensive income (loss) to be reclassified to profit and loss subsequently			
Foreign currency translation adjustment of foreign operations	(17,990)	139,819	(62,380)
Net comprehensive loss for the year	(9,390,762)	(12,019,355)	(36,413,170)
Net loss attributable to:			
Company's shareholders	(9,016,201)	(12,159,174)	(36,350,790)
Non-controlling interests (Note 16)	(356,571)	–	–
	(9,372,772)	(12,159,174)	(36,350,790)
Net comprehensive loss attributable to:			
Company's shareholders	(9,034,664)	(12,019,355)	(36,413,170)
Non-controlling interests (Note 16)	(356,098)	–	–
	(9,390,762)	(12,019,355)	(36,413,170)
Net loss per share, basic and diluted	(0.10)	(0.16)	(1.34)
Weighted average shares outstanding, basic and diluted	86,560,760	75,469,531	27,027,028

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

BETTERLIFE PHARMA INC.

Consolidated Statements of Shareholders' (Deficit) Equity (Expressed in Canadian dollars)

	Common Shares		Common Shares Issuable	Reserves	Accumulated Other Comprehensive Income - Foreign Currency Translation	Deficit	Total Shareholders' Deficit	Non-Controlling Interests	Total
	Shares ⁽ⁱ⁾	Amount							
	#	\$	\$	\$	\$	\$	\$	\$	\$
Balance – January 31, 2020	17,208,112	37,519,448	–	19,625,602	172,027	(54,660,516)	2,656,561	–	2,656,561
Common shares issued for services (Note 12(m))	1,235,399	1,762,813	–	(411,006)	–	–	1,351,807	–	1,351,807
Common shares and warrants issued for cash, net (Notes 12(n))	716,725	1,185,794	–	103,549	–	–	1,289,343	–	1,289,343
Common shares issued for asset acquisitions (Notes 6, 12(m) and 12(r))	31,550,572	22,760,816	–	100,312	–	–	22,861,128	–	22,861,128
Common shares issued on exercise of special warrants and warrants (Notes 12(q) and 12(t))	646,000	339,600	–	(150,000)	–	–	189,600	–	189,600
Common shares issued on conversion of convertible debenture (Note 12(s))	89,034	102,389	–	–	–	–	102,389	–	102,389
Equity component of convertible debentures	–	–	–	12,671	–	–	12,671	–	12,671
Special warrants issued for cash, net (Note 12(q))	–	–	–	2,510,784	–	–	2,510,784	–	2,510,784
Share-based payments (Note 15)	–	–	–	826,632	–	–	826,632	–	826,632
Foreign currency translation adjustment of foreign operations	–	–	–	–	(62,380)	–	(62,380)	–	(62,380)
Net loss	–	–	–	–	–	(36,350,790)	(36,350,790)	–	(36,350,790)
Balance – January 31, 2021	51,445,842	63,670,860	–	22,618,544	109,647	(91,011,306)	(4,612,255)	–	(4,612,255)
Common shares issued for services (Note 12(e))	427,069	143,850	–	(28,350)	–	–	115,500	–	115,500
Common shares issued for settlement of accounts payable and accrued liabilities (Note 12(e))	23,724	40,331	–	–	–	–	40,331	–	40,331
Common shares and warrants issued for cash, net (Notes 12(f), 12(i), 12(j), 12(k) and 12(l))	25,760,190	11,465,829	–	1,159,891	–	–	12,625,720	–	12,625,720
Common shares issued, compensation options granted and cash paid as share issue costs (Notes 12(f), 12(i) and 12(j))	1,212,115	(2,081,480)	–	896,465	–	–	(1,185,015)	–	(1,185,015)
Common shares issued on exercise of special warrants (Note 12(g))	6,372,298	2,794,868	–	(2,794,868)	–	–	–	–	–
Issue costs of special warrants (Note 12(g))	–	(572,565)	–	572,565	–	–	–	–	–
Issue costs (Note 12(h))	–	(77,184)	–	–	–	–	(77,184)	–	(77,184)
Share-based payments (Notes 13(b) and 15)	–	–	–	1,231,400	–	–	1,231,400	–	1,231,400
Foreign currency translation adjustment of foreign operations	–	–	–	–	139,819	–	139,819	–	139,819
Net loss	–	–	–	–	–	(12,159,174)	(12,159,174)	–	(12,159,174)
Balance – January 31, 2022	85,241,238	75,384,509	–	23,655,647	249,466	(103,170,480)	(3,880,858)	–	(3,880,858)
Common shares issued for services (Note 12(a))	162,500	46,587	–	(16,850)	–	–	29,737	–	29,737
Common shares issued for cash (Note 12(c))	3,160,000	647,166	–	–	–	–	647,166	160,438	807,604
Subscriptions received (Note 12(d))	–	–	74,000	–	–	–	74,000	428,576	502,576
Common shares issued for conversion of debenture (Notes 12(b))	1,540,135	493,253	–	(205,125)	–	–	288,128	–	288,128
Debt modification (Note 10)	–	–	–	197,205	–	–	197,205	–	197,205
Share-based payments (Notes 13(b) and 15)	–	–	–	951,065	–	–	951,065	–	951,065
Foreign currency translation adjustment of foreign operations	–	–	–	–	(18,463)	–	(18,463)	473	(17,990)
Net loss	–	–	–	–	–	(9,016,201)	(9,016,201)	(356,571)	(9,372,772)
Reduction of controlling interest without change in control (Note 16)	–	–	–	–	–	–	–	2,961,835	2,961,835
Balance – January 31, 2023	90,103,873	76,571,515	74,000	24,581,942	231,003	(112,186,681)	(10,728,221)	3,194,751	(7,533,470)

(i) After the effect of the common share consolidation on a ten (10) old for one (1) new common share basis (Note 12).

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

BETTERLIFE PHARMA INC.Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	January 31, 2023 \$	Years Ended January 31, 2022 \$	January 31, 2021 \$
Operating activities			
Net loss	(9,372,772)	(12,159,174)	(36,350,790)
Adjustments to reconcile net loss to net cash used in operating activities:			
Accretion expense	55,687	6,584	12,671
Amortization and depreciation of equipment and intangible assets	18,435	18,436	157,760
Amortization of right-of-use assets	–	–	185,053
Change in unrealized gains/losses on warrant liabilities	(5,362)	(131,250)	73,885
Common shares issued for services	29,737	115,500	1,351,808
Common shares of MedMelior issued for services	2,961,835	–	–
Financial guarantee liability	23,917	901,095	182,200
Foreign exchange loss (gain)	203,212	238,206	(39,050)
Gain on sale/abandonment of assets, net	–	–	(804,429)
Loss (gain) on debt modification	197,205	(56,264)	–
Loss on impairment of intangible assets	–	–	12,116,908
Other income – premium on loans payable	–	(50,949)	–
Share-based payments	951,065	1,231,400	826,632
Unidentifiable assets acquired	–	–	16,666,666
Changes in working capital accounts:			
Amounts receivable	310,007	181,029	(349,896)
Prepays and other current assets	595,198	10,288	(269,998)
Accounts payable and accrued liabilities	2,212,993	(1,157,595)	(993,932)
Due to related parties	475,337	(516,793)	69,631
Income tax payable	(160,006)	166,667	–
Net cash used in operating activities	(1,503,512)	(11,202,820)	(7,164,881)
Investing activities			
Cash acquired through acquisitions	–	–	25,065
Purchase of property and equipment	–	–	(10,153)
Purchase of intangible assets	–	–	(86,462)
Net cash used in investing activities	–	–	(71,550)
Financing activities			
Lease payments	–	–	(499,929)
Proceeds from exercise of warrants	–	–	189,600
Proceeds from issuance of common shares and warrants, net	647,166	11,440,705	1,289,343
Proceeds from issuance of common shares and warrants by MedMelior	186,147	–	–
Proceeds from issuance of special warrants, net	–	–	2,510,630
Proceeds from loans payable	–	120,000	–
Proceeds from subscriptions received	74,000	–	–
Proceeds from subscriptions received by MedMelior	428,576	–	–
Repayment of (proceeds from) convertible debenture	–	(250,000)	600,000
Shelf prospectus transaction costs	–	(77,184)	–
Net cash provided by financing activities	1,335,889	11,233,521	4,089,644
Effects of exchange rate changes on cash	2,417	(11,910)	19,805
Net change in cash	(165,206)	18,791	(3,126,982)
Cash – beginning of year	173,513	154,722	3,281,704
Cash – end of year	8,307	173,513	154,722

Supplemental cash flow disclosures (Note 17)

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

BETTERLIFE PHARMA INC.

Notes to the Consolidated Financial Statements
For the Years Ended January 31, 2023, 2022 and 2021
(Expressed in Canadian dollars)

1. Nature of Operations and Going Concern

BetterLife Pharma Inc. (the “Company”) was incorporated in British Columbia under the Business Corporations Act on June 10, 2002 whose common shares are publicly traded on the Canadian Securities Exchange under the symbol “BETR” and on the OTCQB under the symbol “BETRF”. The Company is a biopharmaceutical company engaged in the development of patented pharmaceuticals.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Accordingly, no adjustments to the carrying value of the assets and liabilities have been made in these consolidated financial statements should the Company no longer be able to continue as a going concern. Any such adjustments could be material. As at January 31, 2023, the Company has not earned any revenue and has an accumulated deficit of \$112,186,681. The continued operations of the Company are dependent on its ability to generate future cash flows through additional financing or commercialization. Management intends to continue to pursue additional financing through issuances of equity. There is no assurance that additional funding will be available on a timely basis or on terms acceptable to the Company. These events or conditions indicate that a material uncertainty exists that casts substantial doubt on the Company’s ability to continue as a going concern.

The head office and principal address of the Company is located at 1275 West 6th Avenue, #300, Vancouver, BC, Canada, V6H 1A6.

2. Significant Accounting Policies

(a) Basis of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

These consolidated financial statements were approved by the Board of Directors and authorized for issue on May 29, 2023.

(b) Basis of Measurement and Presentation

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value, and are presented in Canadian dollars.

(c) Basis of Consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiaries are fully consolidated from the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same period as the parent company, using consistent accounting policies. The Company has consolidated the assets, liabilities, revenues and expenses of its subsidiaries after the elimination of inter-company transactions and balances.

BETTERLIFE PHARMA INC.

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(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

The consolidating entities include:

	% of ownership	Jurisdiction
BetterLife Pharma Inc.	Parent	Canada
MedMelior Inc. (acquired August 2020) (Note 6(b))	91%	Canada
Pivot Pharmaceuticals Manufacturing Corp. (divested December 2020) (Note 5(b))	100%	Canada
Blife Therapeutics Inc. (acquired May 2020) (Note 6(c))	100%	Canada
Altum S1M US Corp. (dissolved July 2022)	91% ⁽¹⁾	U.S.A.
BetterLife Pharma US Inc.	100%	U.S.A.
Pivot Naturals, LLC (divested February 2020) (Note 4)	100%	U.S.A.
Thrudermic, LLC (dissolved June 2022)	100%	U.S.A.
BetterLife Europe Pharmaceuticals AG (divested December 2021) (Note 5(a))	100%	Lichtenstein
Solmic AG (divested December 2021) (Note 5(a))	100% ⁽²⁾	Switzerland
Altum Pharma (Australia) Pty Ltd.	91% ⁽¹⁾	Australia
Altum Pharmaceuticals (HK) Limited	91% ⁽¹⁾	Hong Kong
Altum Pharmaceuticals International Inc. (dissolved December 2020)	91% ⁽¹⁾	Barbados
Altum Pharmaceuticals Barbados Inc. (dissolved December 2020)	91% ⁽¹⁾	Barbados

(1) Wholly-owned subsidiaries of MedMelior Inc.

(2) Wholly-owned subsidiary of BetterLife Europe Pharmaceuticals AG

Non-controlling interests

Non-controlling interests ("NCI") represents the non-controlling shareholders' portion of the net assets and net loss of MedMelior Inc. and its wholly-owned subsidiaries. Changes to the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(d) Use of Estimates and Judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Research and development

Judgement is used to determine if expenditures for research and development will generate probable future economic benefits for capitalization. If an entity cannot demonstrate that probable future economic benefits can be generated, such expenditures are expensed.

BETTERLIFE PHARMA INC.

Notes to the Consolidated Financial Statements
For the Years Ended January 31, 2023, 2022 and 2021
(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

Impairment of non-financial assets

Property and equipment and definite life intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The assessment of the existence of impairment indicators or indicators for subsequent reversals of impairment, which is performed at least annually, is based on various internal and external factors and involves management's judgment. Indefinite life intangible assets, including goodwill, are tested for impairment annually. For the purposes of determining the recoverable amount, assets are aggregated into cash generating units ("CGUs") based on an assessment of the lowest level which there are separately identifiable cash inflows. The determination of individual CGUs is based on management's judgement regarding shared infrastructure, geographical proximity and similar exposure to market risk. The recoverable amount is the greater of an asset's fair value less costs of disposal and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. An impairment loss is recognized for the value by which the asset's carrying value exceeds its recoverable amount.

Financial guarantee liability

The fair value of the financial guarantee liability is estimated using discounted cash flows and requires judgement on discount rate and probability of future losses.

Provision for legal liabilities

Judgement is used to estimate consideration required to settle present legal obligations and takes into account the risks and uncertainties surrounding the obligation and probability of future losses.

Functional currency

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

Determination of share-based payments

The estimation of share-based payments (including warrants and stock options) requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The model used by the Company is the Black-Scholes valuation model at the date of the grant. The Company makes estimates as to the volatility, the forfeiture rate, the expected life, dividend yield and the time of exercise, as applicable. The expected volatility is based on the average volatility of share prices of similar companies over the period of the expected life of the applicable warrants and stock options. The expected life is based on historical data. These estimates may not necessarily be indicative of future actual patterns.

Judgement is also used to estimate share-based payments for common shares issued by MedMelior, a private entity, for services and takes into account the fair value of services received or, if fair value of services received cannot be reliably estimated, the fair value of common shares.

Proceeds from issuance of units

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance, then to warrants (if applicable) according to the residual value.

BETTERLIFE PHARMA INC.

Notes to the Consolidated Financial Statements
For the Years Ended January 31, 2023, 2022 and 2021
(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

Business combinations

Determining whether an acquisition meets the definition of a business combination or represents an asset purchase requires judgment on a case-by-case basis. As outlined in IFRS 3 Business Combinations, the components of a business must include inputs, processes and outputs.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year and to fund planned research and development involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

(e) Investments in Joint Arrangements

These consolidated financial statements incorporate the Company's share of the results of its joint venture, Pivot-Cartagena Joint Venture Inc. (dissolved October 2020) using the equity method of accounting (Note 20). Investments in joint ventures are recognized initially at cost and adjusted thereafter to include the Company's share of income or loss and comprehensive income on an after-tax basis. Dividends or distributions received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investments.

Investments are reviewed for impairment at each reporting period by comparing recoverable amount to carrying amount when there is an indication of impairment.

(f) Foreign Currency

The Company's presentation currency is the Canadian dollar. The functional currency of the parent entity, BetterLife Pharma Inc., and its subsidiaries, MedMelior Inc., Pivot Pharmaceuticals Manufacturing Corp. and Blife Therapeutics Inc., is the Canadian dollar. The functional currency of the U.S. subsidiaries, Altum S1M US Corp., BetterLife Pharma US Inc., Pivot Naturals, LLC and Thrudermic, LLC, is the U.S. dollar. The functional currency of the European subsidiaries, BetterLife Europe Pharmaceuticals AG and Solmic AG, is Swiss Francs. The functional currency of the Hong Kong subsidiary, Altum Pharmaceuticals (HK) Limited, is the Hong Kong dollar. The functional currency of the Australian subsidiary, Altum Pharma (Australia) Pty Ltd., is the Australian dollar. The functional currency of the Barbadian subsidiaries, Altum Pharmaceuticals International Inc. and Altum Pharmaceuticals Barbados Inc. is the U.S. dollar.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company and its subsidiaries at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in other than the functional currency are translated at the exchange rates in effect at the financial position date. The resulting exchange gains and losses are recognized in the consolidated statements of loss and other comprehensive loss. Non-monetary assets and liabilities denominated in other than the functional currency that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in other than the functional currency are translated using the exchange rate at the date of transaction.

BETTERLIFE PHARMA INC.

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2. Significant Accounting Policies (continued)

Foreign operations

For consolidation purposes, the assets and liabilities of foreign operations are translated to the presentation currency using the exchange rate prevailing at the financial position date. The income and expenses of foreign operations are translated to the presentation currency using the average rates of exchange during the period. All resulting exchange differences are recorded as other comprehensive income (loss) and accumulated in a separate component of shareholders' equity, described as foreign currency translation adjustment.

(g) Financial Instruments

Financial instruments - classification and measurement

Financial Assets

The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). Financial assets are initially measured at fair value and are subsequently measured at either (i) amortized cost; (ii) fair value through other comprehensive income, or (iii) at fair value through profit or loss.

• Amortized cost

Financial assets classified and measured at amortized cost are those assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are SPPI. Financial assets classified at amortized cost are measured using the effective interest method. The Company's amounts receivable, excluding tax receivables, are classified in this category.

• Fair value through other comprehensive income ("FVTOCI")

Financial assets classified and measured at FVTOCI are those assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise to cash flows that are SPPI.

• Fair value through profit or loss ("FVTPL")

Financial assets classified and measured at FVTPL are those assets that do not meet the criteria to be classified at amortized cost or at FVTOCI. The Company's cash is classified in this category.

Financial Liabilities

All financial liabilities are initially recognized at fair value plus or minus transactions costs that are directly attributable to issuing the financial liability. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL. The Company's accounts payable and accrued liabilities, due to related parties, financial guarantee liabilities, convertible debentures and loans payable are measured at amortized cost. The Company's warrant liabilities are measured at FVTPL.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are derecognized when the obligation is discharged, cancelled or expired.

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2. Significant Accounting Policies (continued)

Financial instruments - 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 consolidated statements of income (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.

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

- a. Level 1 – inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- b. Level 2 – inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- c. Level 3 – inputs for the asset or liability are not based on observable market data.

(h) Cash and Cash Equivalents

Cash in the consolidated statement of financial position is comprised of cash and short-term deposits which have an original maturity of three months or less or are readily convertible into a known amount of cash. At January 31, 2023 and 2022, the Company had no cash equivalents.

(i) Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recorded using the straight-line method to depreciate the cost of property and equipment the useful lives for which an asset is expected to be available for use as follows:

Computer equipment	2 years
Equipment	5 years
Leasehold improvements	5 to 10 years
Security system	5 years

(j) Intangible Assets

Intangible assets consist of costs incurred to acquire patents, unpatented technology and in-progress research and development programs. Development expenditures are capitalized as intangible assets only if the expenditure can be measured reliably, the process is technically and commercially feasible, future economic benefits are probable to the Company and the Company has sufficient resources to complete the development and use or sell the asset. Otherwise, it is recognized in the consolidated statements of loss and other comprehensive loss as incurred. Research costs are expensed in the period that they are incurred.

Intangible assets that are considered finite life assets are recorded at cost less accumulated amortization and accumulated impairment. Intangible assets that are considered indefinite life assets are recorded at cost less accumulated impairment.

The useful lives of intangible assets are assessed as either finite or indefinite.

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2. Significant Accounting Policies (continued)

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of loss and comprehensive loss when the asset is derecognized.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the asset. Amortization is recorded using the straight-line method and is intended to amortize the intangible assets over their estimated useful lives:

Patents	10 years
Unpatented technology	10 years
License	5 years

(k) Impairment of Non-financial Assets

At the end of each reporting period, the Company reviews the carrying amounts of long-lived assets to determine whether there is an indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment charge (if any). The recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is determined to be less than its recorded amount, the recorded amount of the asset is reduced to its recoverable amount. An impairment charge is recognized immediately in the consolidated statement of loss and comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to a maximum amount equal to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

(l) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

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2. Significant Accounting Policies (continued)

(m) Leases

A contract is a lease or contains a lease if it conveys the right to control the use of an asset for a time period in exchange for consideration. To identify a lease, the Company (1) considers whether an explicit or implicit asset is specified in the contract and (2) determines whether the Company obtains substantially all the economic benefits from the use of the underlying asset by assessing numerous factors, including but not limited to substitution rights and the right to determine how and for what purpose the asset is used.

When assessing the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or to not exercise a termination option. This judgment is based on factors such as contract rates compared to market rates, economic reasons, significance of leasehold improvements, termination and relocation costs, installation of specialized assets, residual value guarantees, and any sublease term.

The Company does not recognize lease assets and lease liabilities for low-value assets or short-term leases with a term of 12 months or less. The lease payments are recognized in expenses over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid. The Company elected to not separate non-lease components from lease components and to account for the non-lease and lease components as a single lease component.

The lease liability is discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company estimates the incremental borrowing rate based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated.

The lease liability is subsequently measured at amortized cost using the effective interest method and is remeasured when the expected lease payments change as a result of new assessments of contractual options and residual value guarantees.

(n) Equity

Common shares

Common shares represent the amount received on the issue of common shares, less issuance costs, net of any underlying income tax benefit from these issuance costs. If common shares are issued when stock options and warrants are exercised, the common shares account also comprised the compensation costs previously recorded as reserves. In addition, if common shares were issued as consideration for the acquisition of a form of non-monetary assets, they are measured at their fair value according to the quoted price on the date of issuance.

Unit placements

Proceeds from unit placements are allocated between common shares and share purchase warrants issued using the residual method. Proceeds are first allocated to common shares according to the quoted price of existing common shares at the time of issuance and any residual in the proceeds is allocated to warrants. If the warrant is exercised, the value attributed to the warrant is transferred to share capital.

The Company may modify the terms of warrants originally granted. When modifications exist, the Company will maintain the original fair value of the warrant.

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2. Significant Accounting Policies (continued)

Other elements of equity

Reserves include charges related to stock options, compensation options and share purchase warrants until such stock options and share purchase warrants are exercised.

(o) Share-based Payments

The Company grants share purchase options, restricted stock units ("RSUs"), performance stock units ("PSUs") and deferred share units ("DSUs") under its Long-term Incentive Plan described in Note 15 to employees, consultants, directors and others providing similar services.

The fair value of share purchase options granted is measured at the grant date using an option pricing model. Subsequently, the fair value of share purchase options ultimately expected to vest is charged to operations over the vesting period. Share purchase options granted to third parties in exchange for goods or services are measured at the fair value of the goods or services received and charged to operations over the vesting period.

The fair values of RSUs, PSUs and DSUs granted are measured at grant dates share prices and the expense is allocated over the vesting period based on the best available estimate of the number of RSUs, PSUs and DSUs expected to vest. Non-market vesting conditions are included in assumptions about the number of RSUs, PSUs and DSUs that are expected to be issued or paid. Estimates are subsequently revised if there was any indication that the number of RSUs, PSUs or DSUs expected to vest differed from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if the number of RSUs, PSUs or DSUs that are ultimately issued or paid are different to that estimated on vesting. The accumulated charges related to RSUs, PSUs and DSUs recorded in reserves are transferred to common shares on issuance of common shares in payment of vested RSUs, PSUs and DSUs.

(p) Comprehensive Income (Loss)

Comprehensive income or loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources. Financial assets that are measured at fair value through other comprehensive income will have revaluation gains and losses included in other comprehensive income or loss until the asset is removed from the consolidated statement of financial position. Certain gains and losses on the translation of amounts between the functional and presentation currency of the Company are included in other comprehensive income or loss. Gains and losses on translation of foreign subsidiaries are initially recognized in other comprehensive income or loss. Accumulated other comprehensive income or loss on translation of foreign subsidiaries are reclassified from equity to deficit on disposal of the subsidiary.

(q) Income (Loss) Per Share

The Company presents the basic and diluted earnings or loss per share data for its common shares, calculated by dividing the earnings or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings or loss per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. For the years ended January 31, 2023, 2022 and 2021, basic net loss per share equals diluted net loss per share as the Company incurred net losses during these years and the Company's stock options and warrants were anti-dilutive.

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2. Significant Accounting Policies (continued)

(r) Taxes

Tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statements of income (loss) and comprehensive income (loss) except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(s) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(t) Segment Reporting

The Company presents and discloses segmental information based on information that is regularly reviewed by the Chief Executive Officer and the Board of Directors. The allocation of resources between the different operating segments and the assessment of the performance of the operating segments is the responsibility of the Chief Executive Officer.

The Company has determined that it has only one operating segment: development and commercialization of patented, differentiated and premium quality pharmaceuticals.

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3. New Accounting Pronouncements

The following new accounting standards and interpretations will be adopted by the Company subsequent to January 31, 2023.

(a) IAS 1 – Presentation of Financial Statements

IAS 1 has been revised to (i) clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability; (ii) clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and (iii) make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. Earlier application is permitted.

IAS 1 has also been amended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The Company does not expect the revisions to have a material impact on its consolidated financial statements.

(b) IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

IAS 8 has been amended to introduce the definition of an accounting estimate and include other amendments to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The Company does not expect the amendment to have a material impact on its consolidated financial statements.

The following new accounting standards and interpretations were adopted by the Company at February 1, 2022.

(c) IAS 16 – Property, Plant and Equipment ("IAS 16")

IAS 16 has been amended to prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022. The amendment did not have a material impact on the Company's consolidated financial statements.

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

IAS 37 has been amended to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for annual periods beginning on or after January 1, 2022. The amendment did not have a material impact on the Company's consolidated financial statements.

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4. Settlement and Asset Abandonment

On February 13, 2020, the Company signed a Settlement Agreement and Release Agreement (“Settlement Agreement”) with two of its former employees in Pivot Naturals, LLC (“Pivot Naturals”) to settle the following legal matters:

- A demand for arbitration filed by these former employees before the American Arbitration Association alleging claims for breach of the written employment contracts, fraud, illegal retaliation in violation of California’s whistleblower statute and tortious discharge in violation of public policy seeking, among other things, recovery of damages for breach of employment contracts, including recovery of severance amounts, damages for breach of alleged option rights, waiting time penalties, as well as other general and punitive damages on the tort claims; and
- A suit filed in British Columbia by the Company against the former employees for declaratory relief and related matters concerning control and use of the Company’s assets.

Consideration for the Settlement Agreement included:

- Assignment of Pivot Naturals to Goodbuzz Inc. as follows: 1) 80% of membership interest on the initial closing date (“Initial Closing Date”) (completed February 2020), and 2) 20% on a second closing date which is the earlier of April 30, 2020 and a date upon with certain conditions are met (“Second Closing Date”) (completed April 2020).
- \$264,660 (US\$200,000) payment to be made as follows: 1) \$165,413 (US\$125,000) upon Initial Closing Date (completed in February 2020), and 2) \$99,247 (US\$75,000) upon Second Closing Date (completed in April 2020). A loss on settlement of legal claims of \$264,660 has been recorded in the consolidated statement of comprehensive loss for the year ended January 31, 2020.
- Payment of the monthly lease due on the lease at 3595 Cadillac Avenue in California, U.S.A. for the months of February, March and April 2020 (completed in February 2020).

Together with the assignment of Pivot Naturals, the Company assigned its right-of-use (“ROU”) asset related to its lease at 3595 Cadillac Avenue and extinguished accounts payable and accrued liabilities and obligations related to this lease. The following gain on abandonment of assets has been included in the consolidated statements of loss and other comprehensive loss:

Years Ended	January 31, 2023 \$	January 31, 2022 \$	January 31, 2021 \$
Cash	–	–	(347)
Right-of-use asset	–	–	–
Other assets	–	–	–
Accounts payable and accrued liabilities	–	–	22,391
Lease liability	–	–	1,459,785
Gain on abandonment of assets	–	–	1,481,829

The Company evaluated the assignment of Pivot Naturals in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, and determined that it did not meet the definition of discontinued operations.

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5. Sale/Abandonment of Assets

- (a) On December 17, 2021, the Company signed a share contract with an unrelated third party (the "BetterLife Europe Purchaser") for the sale of 100% of the issued and outstanding common shares of BetterLife Europe Pharmaceuticals AG ("BetterLife Europe"). Pursuant to the sale of BetterLife Europe, the Company's Solmic patents, having a carrying amount of \$nil, and Solmic AG, a subsidiary of BetterLife Europe, were transferred to the BetterLife Europe Purchaser and the Company is no longer pursuing commercialization of cannabis products in Europe. Consideration of the sale was \$246,041 (€170,000) and a gain on sale of assets of \$nil has been included in the consolidated statements of loss and other comprehensive loss during the year ended January 31, 2023 (2022 - \$191,699; 2021 - \$nil).

The Company evaluated the disposal of BetterLife Europe in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, and determined that it did not meet the definition of discontinued operations as it did not represent a separate major line of business.

- (b) On October 2, 2020, the Company signed a share purchase agreement with an unrelated third party (the "Pivot Purchaser") for the sale of 100% of the issued and outstanding common shares of Pivot Pharmaceuticals Manufacturing Corp. ("Pivot"), a wholly-owned subsidiary. Pursuant to the sale of Pivot, the Company's lease of the manufacturing facility in Dollard-des-Ormeaux, Quebec, Canada (the "Facility") and its in-process Health Canada license application (the "Application") were transferred to the Pivot Purchaser and the Company is no longer pursuing the Application for processing of cannabis products in Canada.

Consideration included the following: 1) Pivot Purchaser settling Pivot and the Company's outstanding obligations with the lessor of the Facility of \$135,879, 2) Cancellation of any amounts that Pivot or the Company may owe to the Pivot Purchaser, 3) Pivot Purchaser's assumption of the lease of the Facility as of September 1, 2020, 4) Cancellation by Pivot of obligations that the Pivot Purchaser owes to Pivot, 5) Pivot Purchaser's assumption of further obligations with respect to the Application, and 6) Pivot Purchaser's discontinuation of its lawsuit filed in the Province of Quebec against Pivot.

The following loss on sale of assets has been included in the consolidated statements of loss and other comprehensive loss:

Years Ended	January 31, 2023 \$	January 31, 2022 \$	January 31, 2021 \$
Deposit	–	–	(177,300)
Equipment	–	–	(469,695)
ROU asset	–	–	(3,066,586)
Lease liability	–	–	3,279,364
Other	–	–	2,707
Loss on sale of assets	–	–	(431,510)

The Company evaluated the disposal of Pivot in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, and determined that it did not meet the definition of discontinued operations.

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5. Sale/Abandonment of Assets (continued)

- (c) During the year ended January 31, 2021, the Company shifted its strategic focus from manufacture and commercialization of cannabis/hemp products to research and development of pharmaceuticals and recorded a loss on abandonment of assets of \$245,890 upon halting hemp-related activities in the U.S.A.

6. Asset Acquisitions

- (a) On December 7, 2020, the Company entered into an asset purchase agreement with Nutraneeds LLC (“Nutraneeds”) whereby the Company issued 13,333,333 common shares (Note 12(r)) to acquire intellectual property, including patented technology, in connection with the compounds known as 2-bromo-LSD.

The Company evaluated this acquisition in accordance with IFRS 3, Business Combinations to discern whether the assets acquired met the definition of a business. The Company concluded there were not a sufficient number of key processes obtained to develop the inputs into outputs, nor could such processes be easily obtained by the Company. The intangible assets acquired were determined to be too-early stage to meet the definition of intangible asset. Accordingly, the Company accounted for this transaction as an asset acquisition and measured the transaction using the fair value of the consideration paid with amount paid being recognized as an expense through comprehensive loss.

The consideration transferred, and assets and unidentifiable assets acquired are as follows:

Consideration paid:	\$
Common shares issued	16,666,666
Net assets acquired:	\$
Unidentifiable assets	16,666,666
Fair value of net assets acquired	16,666,666

During the year ended January 31, 2023, the Company recognized \$nil in the consolidated statements of loss and other comprehensive loss on the write-off of fair value of net assets acquired (2022 - \$nil; 2021 - \$16,666,666).

- (b) On August 31, 2020, the amalgamation between the Company, MedMelior Inc. (“MedMelior”), an entity with common officers and director with the Company, and 12167573 Canada Ltd., a wholly-owned subsidiary of the Company, was ratified by the Canadian Securities Exchange. Upon the close of the amalgamation, MedMelior became a wholly-owned subsidiary of the Company. Pursuant to the amalgamation, the Company issued 18,217,239 common shares to MedMelior shareholders (Note 12(p)) in exchange for MedMelior common shares. In addition, 856,880 stock options were issued to MedMelior’s optionees (Note 15(c)) and 252,595 share purchase warrants to MedMelior’s warrant-holders (Note 13(a)).

Pursuant to the acquisition of MedMelior, the Company acquired patents related to its MM-001 program and in-process research and development related to its MM-003 program (Note 8).

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6. Asset Acquisitions (continued)

The Company evaluated this acquisition in accordance with IFRS 3, Business Combinations to discern whether the assets and operations of MedMelior met the definition of a business. The Company concluded there were not a sufficient number of key processes obtained to develop the inputs into outputs, nor could such processes be easily obtained by the Company. Accordingly, the Company accounted for this transaction as an asset acquisition.

The consideration transferred, assets acquired and liabilities assumed recognized are as follows:

Consideration paid:	\$
Common shares issued	6,094,149
Share purchase options granted	100,312
Share purchase warrants granted	57,718
Total purchase price	6,252,179

Net assets acquired:	\$
Cash	24,825
Amounts receivable	31,451
Prepaid and other current assets	363,150
Equipment	44,553
Intangible assets	11,362,000
Advances	(1,507,979)
Accounts payable and accrued liabilities	(3,475,581)
Due to related parties	(590,240)
Net value of net assets acquired	6,252,179

- (c) On May 7, 2020, the Company acquired 100% of the outstanding common shares of Blife Therapeutics Inc. ("Blife") from MedMelior for \$1. The Company evaluated this acquisition in accordance with IFRS 3, Business Combinations to discern whether the assets and operations of Blife met the definition of a business. The Company concluded there were not a sufficient number of key processes obtained to develop the inputs into outputs, nor could such processes be easily obtained by the Company. Accordingly, the Company accounted for this transaction as an asset acquisition.

Net assets acquired:	\$
Cash	240
GST receivable	43
Net value of assets acquired	283

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7. Property and Equipment

Cost	Computer Equipment \$	Equipment \$	Leasehold Improvements \$	Security System \$	Total \$
Balance, January 31, 2020	7,349	65,698	200,084	269,611	542,742
Addition	–	10,153	–	–	10,153
Acquisition (Note 6(b))	–	44,553	–	–	44,553
Impairment (Notes 5(b) and 5(c))	(7,349)	(77,098)	(200,084)	(269,611)	(554,143)
Effect of foreign exchange rate changes	–	1,247	–	–	1,247
Balance, January 31, 2023, 2022 and 2021	–	44,553	–	–	44,553
Accumulated Depreciation	Computer Equipment \$	Equipment \$	Leasehold Improvements \$	Security System \$	Total \$
Balance, January 31, 2020	306	2,191	–	–	2,497
Depreciation	2,756	22,393	–	–	25,149
Impairment (Notes 5(b) and 5(c))	(3,062)	(16,926)	–	–	(19,988)
Effect of foreign exchange rate changes	–	24	–	–	24
Balance, January 31, 2021	–	7,682	–	–	7,682
Depreciation	–	18,436	–	–	18,436
Balance, January 31, 2022	–	26,118	–	–	26,118
Depreciation	–	18,435	–	–	18,435
Balance, January 31, 2023	–	44,553	–	–	44,553
Net book value, January 31, 2023	–	–	–	–	–
Net book value, January 31, 2022	–	18,435	–	–	18,435
Net book value, January 31, 2021	–	36,871	–	–	36,871

During the year ended January 31, 2021, pursuant to signing of the share purchase agreement for the sale of Pivot (Note 5(b)) and the shift in strategic focus (Note 5(c)), the Company impaired property and equipment totaling \$534,155, which has been recorded within gain on sale/abandonment of assets, net in the consolidated statements of loss and other comprehensive loss.

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8. Intangible Assets

	MM-001 Patents and IPR&D \$	MM-003 IPR&D \$	BiPhasix License \$	Thrudermic Non-Patented Technology \$	Solmic Patents \$	Total \$
Cost						
Balance, January 31, 2020	–	–	319,174	830,000	–	1,149,174
Addition	–	–	–	–	86,462	86,462
Acquisition (Note 6(b))	9,159,000	2,203,000	–	–	–	11,362,000
Impairment (Notes 8(b), 8(d), 8(f) and 8(g))	(9,159,000)	(2,203,000)	(319,174)	(830,000)	(86,462)	(12,597,636)
Balance, January 31, 2023, 2022 and 2021	–	–	–	–	–	–
Accumulated Amortization and Impairment Losses						
Balance, January 31, 2020	–	–	190,792	157,325	–	348,117
Amortization	–	–	59,681	62,079	10,851	132,611
Impairment (Notes 8(b), 8(d), 8(f) and 8(g))	–	–	(250,473)	(219,404)	(10,851)	(480,728)
Balance, January 31, 2023, 2022 and 2021	–	–	–	–	–	–
Net book value, January 31, 2023, 2022 and 2021	–	–	–	–	–	–

Pursuant to the asset purchase agreement with Nutraneeds (Note 6(a)), the Company acquired the following patent:

- (a) BETR-001: BETR-001 is a nontoxic second-generation Lysergic Acid Diethylamide (“LSD”) derivative molecule that mimics the projected therapeutic potential of LSD in the treatment of disorders such as major depressive disorder, anxiety disorder and neuropathic pain and other neuro-psychiatric and neurological disorders.

Upon the acquisition of MedMelior on August 31, 2020 (Note 6(b)), the BiPhasix license, representing an intercompany transaction, has been eliminated in these consolidated financial statements. Also pursuant to the acquisition, the Company acquired the following in-progress research and development (“IPR&D”) programs and patents:

- (b) MM-001: MM-001 is a topical Interferon α 2b (“IFN α 2b”) product for the treatment of Human Papilloma Virus (“HPV”) infection that can cause cervical cancer. In 2017, MedMelior entered into a patent license agreement with Altum-Avro Pharma Partnership (“AAPP”) to license the development of the technology involving the formation of biphasic lipid vesicles for use as a vehicle for administration of a biologically active material (“BiPhasix™ Technology”). The BiPhasix™ Technology is a novel encapsulation and delivery platform technology. BiPhasix-encapsulated interferon IFN α 2b for use in treatment of HPV-cervical dysplasia. Consideration of the patent license agreement included:

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8. Intangible Assets (continued)

- Five and a quarter percent (5.25%) of the inventory of any and all product produced by MedMelior to be paid in kind to AAPP.
- Milestone payments:
 - \$3 million upon initiation of the first Phase 3 trial in any global territory except for eastern European territories,
 - \$5 million upon first submission of New Drug Application or similar for approval in any global territory except for eastern European territories, and
 - \$10 million upon first commercial sale in any global territory except for eastern European territories.
- Royalties:
 - 8% on annual net sales up to \$50 million,
 - 10% on annual net sales on the next \$25 million, and
 - 12.5% on annual net sales above \$75 million.
- 30% of any upfront payments that MedMelior receives from a third person in respect of development, licensing, manufacturing or distribution rights.

Being in such early stage in development, the Company was not able to reasonably estimate recoverable amount for purposes of its analysis on impairment of long-lived assets and recorded an impairment of its MM-001 patents and IPR&D during the year ended January 31, 2021. Should this impairment loss subsequently reverse in the future, the carrying amount of MM-001 will be increased to the revised estimate of its recoverable amount, to a maximum amount equal to the carrying amount originally recognized.

- (c) AP-002: AP-002 is an oral gallium-based novel small molecule. The finished drug product is an enteric protected tablet for oral administration. In December 2022, the Company formally ceased the AP-002 development program.
- (d) MM-003: MM-003 is a patent pending IFN α 2b inhalation formulation for the treatment of viral infections. The MM-003 program is in pre-clinical stage of development. Being in such early stage in development, the Company was not able to reasonably estimate recoverable amount for purposes of its analysis on impairment of long-lived assets and recorded an impairment of its MM-003 IPR&D during the year ended January 31, 2021. Should this impairment loss subsequently reverse in the future, the carrying amount of MM-003 will be increased to the revised estimate of its recoverable amount, to a maximum amount equal to the carrying amount originally recognized.

Other intangible assets include:

- (e) BETR-002: BETR-002 is a formulation of a derivative of dihydrohonokiol, a known anti-anxiety compound, with potential for treatment of benzodiazepine dependency, anxiety and spasticity.
- (f) Thrudermic non-patented technology: On March 2, 2018, the Company entered into an exchange agreement with Thrudermic, LLC ("Thrudermic") and the members of Thrudermic whereby the Company paid US\$1.00 for the issued and outstanding units of Thrudermic and issued 50,000 common shares to the members of Thrudermic for their intellectual property portfolio, including unpatented technology, goodwill and know-how in connection with the Thrudermic transdermal nanotechnology.

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8. Intangible Assets (continued)

The Company performed an assessment to determine if there were any indications of impairment of its intangible assets and concluded that factors indicated impairment within its ThruDermic non-patented technology. With the disposal of Pivot (Note 5(b)) and the shift in strategic focus (Note 5(c)), the Company exited the cannabis manufacturing industry. The Company reduced to \$nil its expectations of cash flows from the use of the ThruDermic non-patented technology in manufacture and sale of cannabis products and recorded an impairment loss on its ThruDermic non-patented technology of \$610,596 during the year ended January 31, 2021.

- (g) Solmic patents: On October 22, 2019, the Company entered into a contract to acquire Solmic AG. Consideration for the acquisition was CHF 10,000. In connection with the acquisition, the Company entered into an assignment agreement to assign a patented technology called "Solmic" for payments totaling EUR 50,000.

The Company evaluated this acquisition in accordance with IFRS 3, Business Combinations to discern whether the assets and operations of Solmic AG met the definition of a business. The Company concluded there were not a sufficient number of key processes obtained to develop the inputs into outputs, nor could such processes be easily obtained by the Company. Accordingly, the Company has accounted for this transaction as an asset acquisition.

The Company performed an assessment to determine if there were any indications of impairment of its intangible assets and concluded that factors indicated impairment within its Solmic patents. With the disposal of Pivot (Note 5(b)) and the shift in strategic focus (Note 5(c)), the Company exited the cannabis manufacturing industry. The Company reduced to \$nil its expectations of cash flows from the use of the Solmic patents in manufacture and sale of cannabis products and recorded an impairment loss on its Solmic patents of \$75,611 during the year ended January 31, 2021.

Pursuant to the disposal of BetterLife Europe (Note 5(a)), the Solmic patents were assigned to the BetterLife Europe Purchaser.

9. Leases

As at January 31, 2023, the Company does not have any leases. In prior years, leases of the Company related to building leases.

During the year ended January 31, 2021, the Company's lease at 3595 Cadillac Avenue in California, U.S.A was assigned together with the assignment of Pivot Naturals (Note 4). The related lease liability was extinguished during the year ended January 31, 2021 and a gain on extinguishment of \$1,459,785 has been recorded within gain on sale/abandonment of assets, net on the consolidated statements of loss and other comprehensive loss.

During the year ended January 31, 2021, the Company's lease at 285-295 Kesmark Street in Quebec, Canada was assigned together with the sale of Pivot (Note 5(b)). A gain on extinguishment of the lease liability, net of loss on disposal of the ROU asset, totaling \$212,777 has been recorded within gain on sale/abandonment of assets, net on the consolidated statements of loss and other comprehensive loss during the year ended January 31, 2021. The Company remains a guarantor on the lease at 285-295 Kesmark Street, which has monthly lease payments up to approximately \$53,700, until the lease expiry date of April 30, 2025 pursuant to which it has recorded a financial guarantee liability of \$1,107,212 (January 31, 2022 - \$1,083,295) (Note 21(e)).

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9. Leases (continued)

	Right-of-use Assets \$
Balance, January 31, 2020	3,251,638
Disposal – ROU asset	(3,330,947)
Disposal – Accumulated amortization on ROU asset	264,362
Amortization on ROU asset	(185,053)
Balance, January 31, 2023, 2022 and 2021	–

During the year ended January 31, 2023, the Company recorded \$nil (2022 - \$nil; 2021 - \$254,902) of sub-lease income related to the sub-lease of 285 Kesmark Street, which has been offset against amortization on ROU asset in the consolidated statements of loss and other comprehensive loss.

	Lease Liability \$
Balance, January 31, 2020	4,702,292
Disposal	(4,739,149)
Lease liability expense	479,164
Lease payments	(499,929)
Effect of foreign exchange rate changes	57,622
Balance, January 31, 2023, 2022 and 2021	–

10. Convertible Debentures

	Convertible Debentures \$
Balance, January 31, 2020	–
Proceeds from issuances of convertible debentures	800,000
Transfer of conversion component to equity	(12,671)
Repayment	(200,000)
Conversion to common shares	(100,000)
Accretion	12,671
Balance, January 31, 2021	500,000
Repayment	(250,000)
Debt modification	(56,264)
Accretion and interest	44,144
Balance, January 31, 2022	237,880
Debt modification	197,205
Accretion and interest	50,247
Conversion to common shares (Note 12(b))	(485,332)
Balance, January 31, 2023	–

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10. Convertible Debenture (continued)

On September 4, 2020, the Company issued an unsecured convertible debenture with a non-related party for \$500,000. The debenture bore interest at 8% per annum, had an original maturity date of December 3, 2020 and was convertible into common shares at a conversion price equal to \$1.15 per common share. On April 1, 2021, the maturity date was amended to May 3, 2022. On June 3, 2021, \$250,000 of the note was repaid. On October 31, 2022, the conversion price was amended to \$0.20 per common share and a loss on debt modification of \$197,205 was recorded. On the same date, principal amount and accrued interest of convertible debenture totaling \$308,028 was converted into 1,540,135 common shares (Note 12(b)) at a conversion price of \$0.20.

On September 23, 2020, the Company issued an unsecured convertible debenture with a non-related party for \$200,000. The debenture bore interest at 8% per annum and had a maturity date of December 22, 2020. The note was convertible into common shares at a conversion price equal to \$1.15 per common share. The principal and accrued interest was repaid in full on November 1, 2020.

On September 25, 2020, the Company issued an unsecured convertible debenture with a non-related party for \$100,000. The debenture bore interest at 8% per annum and had a maturity date of December 24, 2020. The note was convertible into common shares at a conversion price equal to \$1.15 per common share. On January 14, 2021, 89,034 common shares were issued pursuant to the conversion of the outstanding principal and accrued interest on this convertible debenture totalling \$102,389 (Note 12(s)).

The convertible debentures contained no financial covenants. The liability components of the convertible debentures were determined by using discounted cash flows to measure the fair values of similar liabilities that exclude convertibility features. Accretion expense on convertible debentures for the year ended January 31, 2023 was \$5,834 (2022 - \$1,076; 2021 - \$12,671). As at January 31, 2022 and 2021, accrued interest of \$43,068 and \$16,329, respectively, was included in convertible debenture. As at January 31, 2023, there is no balance of convertible debenture and accrued interest.

11. Loans Payable

	Loans Payable	Current	Long-term
	\$	\$	\$
Balance, January 31, 2021 and 2020	–	–	–
Proceeds from loans payable	120,000		
Premium on loans payable	(50,949)		
Accretion	5,508		
Balance, January 31, 2022	74,559	40,000	34,559
Accretion	5,441		
Balance, January 31, 2023	80,000	80,000	–

In February 2021, the Company and its subsidiary, MedMelior, each entered into Canada Emergency Business Account (“CEBA”) term loan agreements for \$60,000 with an initial expiry date of December 31, 2022 (amended to December 31, 2023) and interest rate of nil% per annum during this initial term. The CEBA term loan agreements also provide for an extended maturity date of December 31, 2025 and interest rate of 5% per annum during the extended term. The Company recognized \$nil (2022 - \$50,949 including \$40,000 forgivable portion; 2021 - \$nil) of premium from loans payable included in other on the consolidated statements of loss and other comprehensive loss for the year ended January 31, 2023.

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12. Common Shares

Authorized: Unlimited number of common shares without par value

In June 2020, the Company effected a consolidation of its issued and outstanding common shares on a ten (10) old for one (1) new common share. All common share figures and references are retrospectively adjusted.

During the year ended January 31, 2023:

- (a) The Company issued 10,000 common shares, with fair value totaling \$16,850, to a third party pursuant to vesting of restricted stock units (Note 15(a)) and 152,500 common shares, with fair value of \$29,737 to a third party for services rendered.
- (b) In October 2022, the Company issued 1,540,135 common shares pursuant to the conversion of principal and accrued interest of convertible debenture (Note 10).
- (c) In October and December 2022, the Company issued, pursuant to a non-brokered private placement, 3,160,000 common shares at price of \$0.20 (US\$0.15) per share for gross proceeds of \$647,166 (US\$474,000).
- (d) The Company received subscription proceeds totaling \$74,000 from its Chief Executive Officer (Note 18).

During the year ended January 31, 2022:

- (e) The Company issued 15,000 common shares, with fair value totaling \$28,350, to a third party pursuant to vesting of restricted stock units (Note 15(a)), 23,724 common shares, with fair value of \$40,331, as settlement of amounts payable and 412,069 common shares, with fair values of \$115,500, to third parties for services rendered.
- (f) In February and March 2021, the Company issued, pursuant to a non-brokered private placement, 1,779,833 common shares at price of \$1.40 per share for gross proceeds of \$2,491,766. Share issue costs consisted of issuances of 210,771 common shares with fair value of \$287,413 and other transaction costs of \$30,477.
- (g) On April 3, 2021, 5,589,735 special warrants were exercised pursuant to which the Company issued 6,372,298 common shares, valued at \$2,794,868, and 6,372,298 warrants with an exercise price of \$0.60 and expiry date of December 1, 2023. Pursuant to the exercise, \$572,565 of issue costs related to the special warrants have been reclassified from reserves into common shares on the consolidated statements of shareholders' deficit.

The following table summarizes the continuity of special warrants:

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12. Common Shares (continued)

	Number of Special Warrants	Exercised Into Common Shares	Warrants
Balance, January 31, 2020	–	–	–
Issued (Note 12(q))	5,889,735	–	–
Exercised into 1.10 common shares and warrants (Note 12(q))	(300,000)	330,000	330,000
Balance, January 31, 2021	5,589,735	330,000	330,000
Exercised into 1.14 common shares and warrants	(5,589,735)	6,372,298	6,372,298
Balance, January 31, 2023 and 2022	–	6,702,298	6,702,298

- (h) On April 26, 2021, the Company filed and obtained a receipt for a final base shelf prospectus (the "Shelf Prospectus") filed with the securities regulatory authorities in British Columbia, Alberta and Ontario, Canada. The Shelf Prospectus is valid for a 25-month period, during which time the Company may issue an aggregate offering amount of up to \$100 million of common shares, preferred shares, warrants, subscription receipts, units and debt securities (the "Securities") in amounts and at prices on the terms based on market conditions at the time of sale and set forth in an accompanying prospectus supplement ("Prospectus Supplement"). Unless otherwise specified in a Prospectus Supplement, the net proceeds from the sale of Securities may be used for general corporate and working capital requirements, funding product program costs, or for other corporate purposes. Each Prospectus Supplement will contain specific information concerning the use of proceeds from that sale of the Securities. There is no certainty that any Securities will be offered or sold under the Shelf Prospectus within the 25-month period. During the year ended January 31, 2022, the Company incurred \$77,184 of costs related to the filing of the Shelf Prospectus.
- (i) On May 14, 2021, the Company issued, pursuant to a non-brokered private placement, 1,142,857 common shares at price of US\$0.70 per share for gross proceeds of \$972,000 (US\$800,000). Share issue costs consisted of issuance of 311,689 common shares with fair value of \$168,312 and other transaction costs of \$38,637.
- (j) On May 28, 2021, the Company closed on a bought-deal public offering and issued, under the Shelf Prospectus (Note 12(h)), 15,812,500 units at price of \$0.40 per unit for gross proceeds of \$6,325,000. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one common share at an exercise price of \$0.50 and expiring of May 28, 2021. The residual method was used to allocate the proceeds between the common shares and the warrants which resulted in a value of \$395,313 allocated to the warrants.

Share issue costs totaling \$1,673,703 consisted of the following: 1,265,000 compensation options with fair value of \$644,629 (Note 14), 689,655 common shares with fair value of \$268,965, agent's fee of \$506,000 and other transaction costs of \$254,109. Compensation options entitle the holder to purchase one unit, consisting of one common share and one share purchase warrant with exercise price of \$0.50 and expiry of May 28, 2024, at an exercise price of \$0.40 per unit and expires on May 28, 2024. Fair values of the compensation options were determined using the fair values of the common shares issued as values of services provided could not be estimated reliably. The Company used the Black-Scholes option pricing model to value the compensation options.

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12. Common Shares (continued)

- (k) On June 7, 2021, the Company closed on a marketed public offering and issued, under the Shelf Prospectus (Note 12(h)), 6,525,000 units at price of \$0.40 per unit for gross proceeds of \$2,610,000. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one common share at an exercise price of \$0.50 and expiring of May 28, 2021. The residual method was used to allocate the proceeds between the common shares and the warrants which resulted in a value of \$685,125 allocated to the warrants.

Share issue costs totaling \$556,698 consisted of the following: 652,750 compensation options with fair value of \$227,612 (Note 14), agent's fee of \$261,000 and other transaction costs of \$68,086. Compensation options entitle the holder to purchase one unit, consisting of one common share and one share purchase warrant with exercise price of \$0.50 and expiry of May 28, 2024, at an exercise price of \$0.40 per unit and expires on May 28, 2024. Fair values of the compensation options were determined using the fair values of the common shares issued as values of services provided could not be estimated reliably. The Company used the Black-Scholes option pricing model to value the compensation options.

- (l) On June 25, 2021, the Company closed on a partial exercise of the over-allotment option in conjunction with its marketed public offering (Note 12(k)) and issued, under the Shelf Prospectus (Note 12(h)), 500,000 units at price of \$0.40 per unit and 478,750 share purchase warrants at a price of \$0.0563 per share purchase warrant for gross proceeds of \$226,954. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one common share at an exercise price of \$0.50 and expiring of May 28, 2021. The residual method was used to allocate the proceeds between the common shares and the warrants which resulted in a value of \$52,500 allocated to the warrants. Each share purchase warrant issued entitles the holder to purchase one common share at an exercise price of \$0.50 and expires on May 28, 2021.

Share issue costs totaling \$50,920 consisted of 50,000 compensation options with fair value of \$17,405 (Note 14) entitling the holder to purchase one unit, consisting of one common share and one share purchase warrant with exercise price of \$0.50 and expiry of May 28, 2024, at an exercise price of \$0.40 per unit and expires on May 28, 2024, 47,875 compensation options with fair value of \$6,819 (Note 14) entitling the holder to purchase one common share at an exercise price of \$0.50 per share and expires on May 28, 2024, agent's fee of \$22,696 and other transaction costs of \$4,000. Fair values of the compensation options were determined using the fair values of the common shares issued as values of services provided could not be estimated reliably. The Company used the Black-Scholes option pricing model to value the compensation options.

During the year ended January 31, 2021:

- (m) The Company issued 94,206 common shares, with fair value totaling \$98,968, pursuant to the termination of employment agreements, 841,526 common shares with fair value of \$1,253,045, to third parties for services rendered and 3,000 common shares with fair value of \$5,550 to a director for services rendered (Note 18). Fair values of services were determined using the fair values of the common shares issued as values of services provided could not be estimated reliably. The Company also issued 296,667 common shares valued at \$405,250 to former officers, a former director and a third party pursuant to vesting of restricted and performance stock units (Notes 15(a), 15(b) and 18).

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12. Common Shares (continued)

- (n) In July and August 2020, the Company issued 716,725 units, consisting of one common share and one half of one share purchase warrant, at price of \$1.90 per unit for gross proceeds of \$1,361,778. Each share purchase warrant entitles the holder to purchase one common share at a price of \$2.30 per share and has an expiry term of two (2) years. The residual method was used to allocate the proceeds between the common shares and the warrants which resulted in a value of \$nil allocated to the warrants.
- (o) Pursuant to the private placement in July and August 2020, finders' fees consisted of cash payments of \$72,434 and issuance of 54,142 share purchase warrants, valued at \$103,550, entitling the holders to purchase one common share at a price of \$2.30 per share and with an expiry term of two (2) years. Fair values of the agent warrants were determined using the fair values of the common shares issued as values of services provided could not be estimated reliably. The Company used the Black-Scholes option pricing model in order to value the warrants.
- (p) On September 4, 2020, 18,217,239 common shares, with fair value of \$6,094,150, were issued pursuant to the amalgamation agreement with MedMelior (Note 6(b)).
- (q) On December 2, 2020, the Company closed a private placement offering of special warrants of the Company, pursuant to which the Company issued 5,889,735 special warrants at a price of \$0.50 per special warrant, for aggregate gross proceeds of \$2,944,868 (the "Offering"). Each special warrant is exercisable, for no additional consideration, into one unit of the Company, with each unit consisting of one common share and one common share purchase warrant, entitling the holder thereof to acquire one common share at an exercise price of \$0.60 and expiry date of December 1, 2023.

All unexercised special warrants are automatically exercised on the day that is the earlier of (i) April 3, 2021, and (ii) as soon as reasonably practicable, and in any event no later than the third business day, after a receipt is issued for a final prospectus qualifying the distribution of the units underlying the special warrants and the units underlying the compensation options granted to the agents.

In connection with the Offering, the Company paid an agent's fee consisting of the following: 1) cash fee equal to 8.0% of the gross proceeds from the Offering, and 2) 471,178 compensation options, valued at \$138,175 (Note 14) equal to 8.0% of the total number of special warrants sold under the Offering at an exercise price of \$0.50 and expiry of 36 months. Other transaction costs totaled \$434,237.

The Company will prepare and file with each of the securities regulatory authorities in each of the provinces of Canada, except Quebec, in which the special warrants are sold and obtain a receipt for a preliminary short form prospectus and a final short form prospectus (the "Final Prospectus"), qualifying the distribution of the units underlying the special warrants and the compensation options, in compliance with applicable securities law, within forty (40) days from December 2, 2020 (not completed). In the event that the Company has not received a receipt for the Final Prospectus within forty (40) days, each unexercised special warrant will thereafter entitle the holder to receive upon exercise, at no additional consideration, one-and-one-tenth (1.10) Unit (instead of one Unit) and thereafter at the end of each additional thirty (30) day period, each special warrant will be exercisable for an additional 0.02 of a unit.

On January 18, 2021, 300,000 special warrants were exercised pursuant to which the Company issued 330,000 common shares, valued at \$150,000, and 330,000 share purchase warrants with an exercise price of \$0.60 and expiry date of December 1, 2023.

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12. Common Shares (continued)

On April 3, 2021, all remaining outstanding special warrants were automatically exercised into 1.14 units (Note 12(g)).

- (r) On December 18, 2020, 13,333,333 common shares, with fair value of \$16,666,666, were issued pursuant to the asset purchase agreement with Nutraneeds (Note 6(a)).
- (s) On January 14, 2021, 89,034 common shares were issued pursuant to conversion of principal and accrued interest of convertible debenture totaling \$102,389 (Note 10).
- (t) On January 18, 2021, 316,000 common shares were issued pursuant to the exercise of share purchase warrants (Note 13(c)) for gross proceeds of \$189,600.

13. Share Purchase Warrants

(a) Warrant liabilities

In connection with the asset acquisition (Note 6(b)), 252,595 share purchase warrants were issued with exercise prices denominated in US dollars. When non-compensatory warrants have an exercise price denominated in a currency which is different from the functional currency of the Company (Canadian dollar), the warrants are treated as financial liabilities. These warrants are therefore classified as financial liabilities with changes in fair value recognized in the consolidated statements of loss and other comprehensive loss. The warrant liabilities are measured using Level 3 inputs within the fair value hierarchy.

The following table summarizes the continuity of liability-classified common share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price US\$	Liability Amount \$
Balance, January 31, 2020	–	–	–
Granted pursuant to acquisition (Note 6(b))	252,595	1.44	57,718
Change in fair value	–	–	73,885
Balance, January 31, 2021	252,595	1.44	131,603
Change in fair value	–	–	(131,250)
Balance, January 31, 2022	252,595	1.44	353
Change in fair value	–	–	(353)
Expired	(252,595)	(1.44)	–
Balance, January 31, 2023	–	–	–

At January 31, 2023, there were no liability-classified share purchase warrants outstanding.

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13. Share Purchase Warrants (continued)

(b) Warrant liabilities of MedMelior

At January 31, 2023, MedMelior has 96,667 share purchase warrants with exercise prices denominated in U.S. dollars. When non-compensatory warrants have an exercise price denominated in a currency which is different from the functional currency of MedMelior (Canadian dollar), the warrants are treated as financial liabilities. These warrants are therefore classified as financial liabilities with changes in fair value recognized in the consolidated statements of loss and other comprehensive loss. The warrant liabilities are measured using Level 3 inputs within the fair value hierarchy.

The following table summarizes the continuity of liability-classified share purchase warrants of MedMelior:

	Number of Warrants	Weighted Average Exercise Price US\$	Liability Amount \$
Balance, January 31, 2022, 2021 and 2020	–	–	–
Granted (Note 16)	96,667	1.25	25,709
Change in fair value	–	–	(5,009)
Balance, January 31, 2023	96,667	1.25	20,700

At January 31, 2023, the following liability-classified share purchase warrants of MedMelior were outstanding:

Number of Warrants	Exercise Price US\$	Expiry Date	Weighted average remaining contractual life (years)
96,667	1.25	June 9, 2024	1.36

The fair value of warrant liabilities at January 31, 2023 was determined using the Black-Scholes option pricing model, using the following assumptions:

- Risk free interest rate: 3.97%
- Volatility: 90%
- Market price of common shares on valuation date: US\$0.67
- Expected dividends: Nil%
- Expected life: 1.36 years
- Exercise price: US\$1.25

(c) Equity-classified warrants

The following table summarizes the continuity of equity-classified share purchase warrants:

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13. Share Purchase Warrants (continued)

	Number of Warrants	Weighted Average Exercise Price \$
Balance, January 31, 2020	7,947,892	2.94
Granted (Notes 12(n), 12(o) and 12(q))	742,504	1.54
Exercised (Note 12(t))	(316,000)	(0.60)
Balance, January 31, 2021	8,374,396	2.90
Granted (Notes 12(g), 12(j), 12(k) and 12(l))	30,126,643	0.52
Expired	(7,241,912)	(2.98)
Balance, January 31, 2022	31,259,127	0.59
Expired	(1,118,484)	(2.43)
Balance, January 31, 2023	30,140,643	0.52

During the year ended January 31, 2023, the Company did not issue any share purchase warrants to third parties for services (2022 – 438,095 valued at \$239,002; 2021 – nil).

On May 7, 2020, the Company amended the exercise price of the following outstanding warrants that were issued pursuant to private placements completed in 2019: 1,386,800 warrants issued on May 30, 2019 and expiring on May 29, 2021, 4,613,200 warrants issued on May 15, 2019 and expiring on May 14, 2021 and 695,000 warrants issued on April 8, 2019 and expiring on March 16, 2022. The exercise prices of these warrants were amended to \$2.50 per warrant. Previous exercise prices were \$3.00 and \$3.50.

At January 31, 2023, the following equity-classified share purchase warrants were outstanding:

Number of Warrants	Exercise Price \$	Expiry Date
200,000	1.21	March 28, 2023
238,095	0.27	September 26, 2023
6,386,298	0.60	December 1, 2023
23,316,250	0.50	May 28, 2024
30,140,643		

The fair values of equity-classified warrants issued pursuant to the Company's financings (Notes 12(j), 12(k) and 12(l)) were estimated using the residual method. The fair values of equity-classified warrants issued pursuant to the exercise of special warrants (Note 12(g)) were estimated using the residual value method and allocated a fair value of \$nil. The fair values of equity-classified warrants issued for services of \$239,002 was recorded within consulting fees and promotion and marketing in the Company's consolidated statements of loss and other comprehensive loss and estimated for the year ended January 31, 2022 using the Black-Scholes option pricing model with the following assumptions:

- Dates of grant: March 29 and September 27, 2021
- Risk free interest rates: 0.24% to 0.53%
- Volatilities: 97% to 98%
- Market prices of common shares on grant date: \$0.27 to \$1.21
- Expected dividends: Nil%
- Expected life: Two (2) years
- Exercise prices: \$0.27 to \$1.21

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13. Share Purchase Warrants (continued)

On March 28, 2023, 200,000 warrants with exercise price of \$1.21 expired unexercised.

14. Compensation Options

The following table summarizes the continuity of compensation options:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Outstanding, January 31, 2020	–	–	–
Granted	471,178	0.50	3.00
Outstanding and exercisable, January 31, 2021	471,178	0.50	2.83
Granted (Notes 12(j), 12(k) and 12(l))	2,015,625	0.40	3.00
Outstanding and exercisable, January 31, 2022 and 2023	2,486,803	0.42	1.23 / 2.23

At January 31, 2023, the following compensation options were outstanding and exercisable:

Number of Compensation Options	Exercise Price \$	Expiry Date	Exercisable Into			
			Common Shares	Share Purchase Warrants	Exercise Price	Expiry Date
471,178	0.50	December 2, 2023	537,143	537,143	\$0.60	December 2, 2023
1,967,750	0.40	May 28, 2024	1,967,750	1,967,750	\$0.50	May 28, 2024
47,875	0.50	May 28, 2024	47,875	–	–	–
2,486,803			2,552,768	2,504,893		

Compensation options are exercised by delivery of an election to purchase together with payment by the compensation option holder to the Company.

During the year ended January 31, 2022, the fair values of compensation options were determined using the Monte Carlo option pricing model, using the following assumptions:

- Risk free interest rates: 0.50% to 0.61%
- Volatility: 114% to 119%
- Market prices of common shares on valuation date: \$0.295 to \$0.40
- Expected dividends: Nil%
- Expected life: Three (3) years
- Exercise prices: \$0.40 to \$0.50

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15. Long-term Incentive Plans

Effective October 1, 2019, the Company adopted a long-term incentive plan. Under this plan, the Company may grant share purchase options, RSUs, PSUs or deferred share units to its directors, officers, employees and consultants up to an amount as determined by the Company and will be no more than 10% of its outstanding common shares on a fully-diluted basis. RSUs, PSUs and deferred share units are settled in common shares. The exercise price of the share purchase options will be determined by the Company and will be no less than market price on grant date.

Effective June 29, 2018, the Company's subsidiary, MedMelior, adopted a stock option plan. Under this plan, MedMelior may grant options to its directors, officers, employees and consultants up to an amount as determined by MedMelior. The exercise price of the stock options will be determined by MedMelior.

(a) Restricted Stock Units

The following table summarizes the continuity of the Company's RSUs:

	Number of RSUs
Outstanding, January 31, 2020	275,000
Granted	30,000
Common shares issued on vesting (Notes 12(m) and 18)	(271,667)
Forfeited (Note 18)	(8,333)
Outstanding, January 31, 2021	25,000
Common shares issued on vesting (Note 12(e))	(15,000)
Outstanding, January 31, 2022	10,000
Common shares issued on vesting (Note 12(a))	(10,000)
Outstanding, January 31, 2023	–

The fair value of share-based payment expense was determined using market value of the share price on grant date. RSUs are settled by delivery of a notice of settlement by the RSU holder or, if no notice of settlement is delivered, on the last vesting date. During the year ended January 31, 2023, the Company recognized \$2,661 of share-based payments related to its RSUs (2022 - \$23,668; 2021 - \$219,360) within consulting fees and wages, salaries and employment expenses in its consolidated statements of loss and other comprehensive loss.

(b) Performance Stock Units

The following table summarizes the continuity of the Company's PSUs:

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15. Long-term Incentive Plans (continued)

	Number of PSUs
Outstanding, January 31, 2020	75,000
Common shares issued on vesting (Notes 12(m) and 18)	(25,000)
Expired (Note 18)	(25,000)
Outstanding, January 31, 2023, 2022 and 2021	25,000

PSUs vested on March 31, 2021 and are settled by delivery of a notice of settlement by the PSU holder. At January 31, 2023, 25,000 PSUs were vested but not yet settled (January 31, 2022 – 25,000). During the year ended January 31, 2022, the Company recognized share-based compensation related to its PSUs of \$nil (2022 - \$nil; 2021 – reversal of \$6,359 due to non-market performance condition not being met) within consulting fees in its consolidated statements of loss and other comprehensive loss.

(c) Share Purchase Options

The following table summarizes the continuity of the Company's share purchase options:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Outstanding, January 31, 2020	1,472,500	3.82	3.08
Granted (Note 18)	1,430,000	1.03	3.01
Granted pursuant to acquisition (Note 6(b))	856,880	3.05	0.35
Forfeited/expired (Note 18)	(836,668)	(2.68)	–
Outstanding, January 31, 2021	2,922,712	2.56	2.19
Granted (Note 18)	1,270,000	0.48	2.41
Forfeited/expired (Note 18)	(1,782,712)	(3.51)	–
Outstanding, January 31, 2022	2,410,000	0.76	1.98
Granted (Note 18)	3,920,000	0.17	3.00
Expired (Note 18)	(60,000)	1.66	–
Outstanding, January 31, 2023	6,270,000	0.38	1.93

Additional information regarding share purchase options as of January 31, 2023, is as follows:

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15. Long-term Incentive Plans (continued)

Options Outstanding	Options Exercisable	Exercise Price \$	Expiry Date	Vesting Terms
700,000	700,000	0.63	April 28, 2023	33.33% every six months/ 25% every six months
20,000	20,000	0.275	September 27, 2023	25% every four months
20,000	20,000	0.29	November 28, 2023	100% on February 28, 2022
840,000	840,000	0.77	December 8, 2023	50% on each of January 1, 2021 and 2022
520,000	520,000	0.295	October 13, 2024	100% on January 14, 2022
20,000	20,000	0.16	December 11, 2024	100% on grant date
2,100,000	1,400,003	0.17	February 28, 2025	33.33% every six months
180,000	171,667	1.80	May 5, 2025	25% every six months
50,000	41,667	2.40	May 10, 2025	16.66% every six months
20,000	16,667	1.80	May 21, 2025	16.66% every six months
1,800,000	450,000	0.16	January 12, 2026	25% every six months
6,270,000	4,200,004			

The fair value of share-based payment expense was estimated using the Black-Scholes option pricing model and the following assumptions:

	January 31, 2023	January 31, 2022	January 31, 2021
Dates of grant	March 1, 2022 to January 13, 2023	April 29, 2021 to November 29, 2021	May 7, 2020 to January 5, 2021
Risk free interest rates	1.39% to 3.87%	0.31% to 0.95%	0.20% to 0.38%
Volatilities	119% to 155%	155% to 175%	80% to 188%
Market prices of common shares on grant date	\$0.17 to \$0.18	\$0.27 to \$0.63	\$0.77 to \$2.55
Expected dividends	Nil%	Nil%	Nil%
Expected lives	Two (2) to three (3) years	One (1) to three (3) years	Ten (10) months to five (5) years
Exercise prices	\$0.16 to \$0.17	\$0.27 to \$0.63	\$0.77 to \$3.22

Fair values of the options at each measurement date ranged between \$0.11 to \$1.70. For the year ended January 31, 2023, share-based payments related to share purchase options totaling \$476,554 and have been recorded in the Company's consolidated statements of loss and other comprehensive loss (2022 - \$695,473; 2021 - \$613,631). \$196,969 of share-based payment expense have yet to be recognized and will be recognized in future periods.

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15. Long-term Incentive Plans (continued)

(d) Share Purchase Options of MedMelior

The following table summarizes the continuity of MedMelior's share purchase options:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Outstanding, January 31, 2021 and 2020	–	–	–
Granted (Note 18)	1,100,000	0.10	3.00
Outstanding, January 31, 2023 and 2022	1,100,000	0.10	1.91 / 2.91

Additional information regarding share purchase options of MedMelior as of January 31, 2023, is as follows:

Options Outstanding	Options Exercisable	Exercise Price \$	Expiry Date	Vesting Terms
1,100,000	825,000	0.10	December 28, 2024	25% every six months

The fair value of share-based payment expense was estimated using the Black-Scholes option pricing model and the following assumptions:

- Date of grant: December 29, 2021
- Risk free interest rate: 1.181%
- Volatility: 90%
- Market price of common shares on grant date: \$0.83
- Expected dividends: Nil%
- Expected life: Three (3) years
- Exercise price: \$0.10

Fair value of the options at the measurement date was \$0.75. For the year ended January 31, 2023, share-based payments related to share purchase options totaling \$492,199 and have been recorded in the Company's consolidated statements of loss and other comprehensive loss (2022 - \$273,411; 2021 - \$nil). \$56,238 of share-based payment expense has yet to be recognized and will be recognized in future periods.

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16. Non-controlling Interests

As at January 31, 2023, 8.86% of MedMelior's ownership interest is held by NCI (January 31, 2022 – nil%). The following is summarized financial information for MedMelior, before inter-company eliminations with other companies in the group.

	2023 \$	2022 \$
Current assets	75,706	623,227
Non-current assets	–	18,435
Current liabilities	(23,518,207)	(22,379,079)
Non-current liabilities	(20,700)	(17,280)
Net liabilities	(23,463,201)	(21,754,697)
Net liabilities attributable to NCI	(2,078,448)	–

	January 31, 2023 \$	January 31, 2022 \$	January 31, 2021 \$
Revenue	–	–	–
Net loss	(6,278,228)	(4,597,551)	(12,983,078)
Other comprehensive (loss) income	1,186	15,581	(11,642)
Total comprehensive loss	(6,277,042)	(4,581,970)	(12,994,720)
Net loss attributable to NCI	(356,571)	–	–
Net comprehensive loss attributable to NCI	473	–	–

	January 31, 2023 \$	January 31, 2022 \$	January 31, 2021 \$
Cash flows used in operating activities	(650,077)	(85,505)	(214,794)
Cash flows provided by investing activities	–	–	275,525
Cash flows provided by financing activities	614,723	60,000	–
Effects of exchange rate changes on cash	(11)	(26)	1
Net (decrease) increase in cash	(36,232)	(25,531)	60,732
Dividends paid to NCI during the year	–	–	–

In June 2022, MedMelior issued 193,333 common shares and 96,667 share purchase warrants to NCI for gross proceeds of \$186,147 (US\$145,000), of which \$25,709 was allocated to liability classified warrants (Note 13(b)). In October 2022, MedMelior issued 3,500,000 common shares with a fair value of \$2,961,833 to a third party for services rendered.

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17. Supplemental Cash Flow Disclosures

	January 31, 2023 \$	January 31, 2022 \$	January 31, 2021 \$
Supplemental disclosures:			
Interest paid	–	–	480,636
Non-cash investing and financing activities:			
Common shares issued for services	29,737	115,500	1,351,808
Common shares of MedMelior issued for services	2,961,835	–	–
Common shares issued for settlement of accounts payable	–	40,331	–
Common shares issued for conversion of debentures	493,253	–	102,389
Common shares issued as share issue costs	–	724,690	–
Common shares issued for asset acquisition	–	–	16,666,666
Common shares and share purchase warrants issued on exercise of special warrants	–	2,794,868	–
Common shares, share purchase options and share purchase warrants issued for asset acquisition	–	–	6,252,180
Compensation options granted as share issue costs	–	896,466	–
Warrants issued for finder's fee	–	–	103,549

18. Related Party Transactions

Key Management Compensation

Key management includes those persons having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the Company and includes the chief executive officer, chief operating officer, chief financial officer and chief medical officer. During the year ended January 31, 2023, compensation of key management and directors of the Company totaled \$1,890,044 (2022 - \$1,755,811; 2021 - \$1,558,585), and consisted of salaries, consulting fees, directors' fees and share-based payments. During the year ended January 31, 2023:

- 3,400,000 stock options were granted to directors and officers (2022 - 700,000; 2021 - 1,200,000),
- 10,000 stock options for a director expired (2022 - 1,242,620 forfeited/expired; 2021 - 256,250 forfeited/expired),
- No stock options were granted by MedMelior to directors and officers (2022 - 1,000,000; 2021 - nil),
- No common shares were issued to former officers and directors pursuant to vesting of RSUs and PSUs (2022 - nil; 2021 - 291,667), and
- No RSUs and PSUs for former officers and director were forfeited (2022 - nil; 2021 - 33,334).

Other Related Party Transactions

Pursuant to the Amalgamation (Note 6(b)), 582,620 stock options were granted to officers, a director and a former officer of MedMelior, upon which the MedMelior stock options held by such individuals terminated. These stock options expired on June 30, 2021.

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18. Related Party Transactions (continued)

As at January 31, 2023, the Company owed \$964,261 to key management and directors (January 31, 2022 - \$144,867) and accounts payable and accrued liabilities include \$534,000 owed to a former pre-Amalgamation director of MedMelior (January 31, 2022 - \$466,363). During the year ended January 31, 2023, settlement and legal provisions expense related to this former director of MedMelior totaled \$42,290 (January 31, 2022 - \$313,470). Subsequent to January 31, 2023, approximately \$470,000 of amounts owing to officers were forgiven (Note 26(c)).

During the year ended January 31, 2023, the Company received subscription proceeds of \$74,000 from its Chief Executive Officer.

19. Income Tax

The following schedule reconciles the expected income tax expense (recovery) at the Canadian combined federal and provincial statutory rate of 27% (2022 - 27%; 2021 - 27%) to the amounts recognized in the consolidated statements of loss and other comprehensive loss:

	January 31, 2023 \$	January 31, 2022 \$	January 31, 2021 \$
Net loss before taxes	(9,372,772)	(11,992,508)	(36,350,790)
Statutory rate	27.00%	27.00%	27.00%
Expected tax recovery	(2,530,648)	(3,237,977)	(9,814,710)
Foreign tax rate differences	5,261	(139,857)	219,740
Permanent differences and other	300,720	340,070	115,020
Write-off and impairments	–	302,806	3,017,450
Abandoned assets	–	–	52,490
Change in deferred tax assets not recognized	2,224,667	2,901,624	6,410,010
Income tax expense	–	166,666	–

The Company's income tax expense is allocated as follows:

	2023 \$	2022 \$	2021 \$
Current tax expense	–	166,666	–
Deferred tax expense	–	–	–
	–	166,666	–

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

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19. Income Tax (continued)

	2023	2022
	\$	\$
Tax loss carryforwards – Canada	58,788,940	50,216,400
Tax loss carryforwards - USA	685,220	474,030
Tax loss carryforwards – Australia	19,250	12,080
Tax loss carryforwards – Hong Kong	79,370	73,160
Intangible assets	14,599,580	15,339,660
Property and equipment	33,570	8,120
Contingent liability	1,856,930	–
Financing costs	3,078,420	5,138,660
Capital loss	11,766,200	5,184,180
Total unrecognized deductible temporary differences	90,907,480	76,446,290

As at January 31, 2023, the Company's US net operating loss carryforwards total \$685,220 (January 31, 2022 - \$474,030) which have no expiry date. Financing fees will be fully amortized in 2027. The remaining unrecognized deferred tax assets will carry forward indefinitely.

The Company's unrecognized Canadian non-capital income tax losses expire as follows:

Expiry Date	Non-Capital Loss
	\$
2031	118,713
2032	657,883
2034	687,128
2035	1,499,363
2036	4,769,156
2037	1,267,151
2038	1,169,742
2039	4,937,403
2040	11,051,002
2041	9,067,088
2042	13,177,463
2043	10,386,848
	58,788,940

20. Joint Venture

On December 17, 2018, the Company entered into a joint venture arrangement whereby the Company holds 50% of the issued and outstanding shares of Pivot-Cartagena Joint Venture Inc. ("Pivot-Cartagena JV). Pivot-Cartagena JV was incorporated to develop and commercialize cannabis-infused non-alcoholic beverages using the industry expertise of its joint venture partner. The Company and its joint venture partner each have 50% interest in the net assets and net income or loss of Pivot-Cartagena JV. On October 27, 2021, the Pivot-Cartagena JV was dissolved. There was no impact on the consolidated financial statements on the dissolution.

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21. Commitments and Contingencies

- (a) In September 2019, the Company was served with a claim from Green Stream Botanicals Corp. for a finder's fee in the amount of \$600,000 in relation to non-brokered private placements totaling \$15 million completed in May 2019. In July 2020, the Company settled this claim for \$120,000. For the year ended January 31, 2021, the Company recorded a settlement of legal claim of \$120,000 within the consolidated statements of loss and other comprehensive loss.
- (b) In November 2019, the Company's former Chief Executive Officer filed an originating application with the Superior Court in the province of Quebec for damages stemming from a termination of employment. The former Chief Executive Officer is seeking payment of amounts totaling approximately \$1 million, exercisability of his stock options until the original expiry dates, issuance of 600,000 stock options and an order that the Company not issue further common shares. The Company believes the claim is unfounded and intends to vigorously defend these claims.
- (c) In January 2020, an injunction was filed against the Company in the Superior Court of Quebec by Bio V Pharma Inc. ("BioV") seeking provisional orders in respect of the premises sub-leased at 285 Kesmark Street and damages of approximately \$395,000. In January 2021, this injunction was discontinued pursuant to the sale of Pivot (Note 5(b)).
- (d) In March 2021, Olymbec Development Inc. ("Olymbec") filed a judicial demand before the Superior Court (Civil Division) of Quebec and a judgement for a safeguard order was obtained by Olymbec against Pivot, a former subsidiary, and the Company, as guarantor of the lease at 285-295 Kesmark Street, Quebec (the "Lease"), ordering Pivot and the Company to jointly pay the full amount of the Lease on the first day of each month. In May 2021, a judgement for a safeguard order was issued ordering Pivot and the Company to provide post-dated cheques for monthly lease payments for the months of June through November 2021. In June 2021, a judgement granted Pivot and the Company until June 30, 2021 to pay the outstanding lease totaling \$124,223 and to deliver post-dated cheques each in the amount of \$49,410.51 for monthly lease payments for the months of July through November 2021, which were completed. Olymbec is also claiming administrative fees of approximately \$36,500 resulting from Pivot's default on its monthly lease. The Company is assessing options available to contest the judicial demand from Olymbec and mitigate its damages. The Company has not accrued any amounts as of January 31, 2023 as management has assessed the likelihood of payment to be unlikely.
- (e) The Company is a guarantor on the Lease (Notes 9 and 21(d)), which was assigned together with the sale of Pivot (Note 5(b)) pursuant to which the Company has recorded a financial guarantee liability of \$1,107,212 (January 31, 2021 - \$1,083,295), at a discount rate of 25%, based on its best estimate of potential future loss.

The following table summarizes the continuity of financial guarantee liability:

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21. Commitments and Contingencies (continued)

	Financial Guarantee Liability \$	Current \$	Long-term \$
Balance, January 31, 2020	–	–	–
Recognition of financial guarantee liability	182,200		
Balance, January 31, 2021	182,200	182,200	–
Change in carrying value	901,095		
Balance, January 31, 2022	1,083,295	218,780	864,515
Accretion	23,917		
Balance, January 31, 2023	1,107,212	667,042	440,170

In October 2021, the Company filed an application for a bankruptcy order (“Application”) against Pivot in the Superior Court (Commercial Division) of Quebec. Pivot is the lessee of the “Lease and had not met its Lease liabilities upon which the Company, as guarantor, was required to meet following the safeguard orders issued by the Superior Court (Civil Division) of Quebec (Note 21(d)). In March 2022, the Company and Pivot signed a settlement agreement pursuant to which Pivot would make a lump sum payment of \$300,000 to the Company as follows: \$150,000 on or before April 1, 2022 and \$150,000 on or before May 31, 2022 (the “Transaction”), which was homologated by the Superior Court (Commercial Division) of Quebec on March 28, 2022. During the year ended January 31, 2023, \$300,000 of settlement income has been recorded in settlements, net on the consolidated statements of loss and other comprehensive loss. On June 13, 2022, the Application was withdrawn by the Company.

- (f) The Company and MedMelior were named as defendants in a lawsuit before the Supreme Court of the State of New York, New York County (“State Court”) by a former director of MedMelior, who served as director prior to MedMelior’s amalgamation with the Company. This former director filed the verified complaint on January 20, 2022, seeking compensatory and punitive damages in amounts believed by the Company to be in excess of US\$2 million and US\$10 million, respectively. During March 2022, the Company filed a motion to dismiss the complaint on the basis of inconvenient forum and for lack of jurisdiction. On December 1, 2022, following oral argument on the motion, the State Court dismissed the complaint in its entirety. On April 29, 2022, in response to the Company’s then-pending motion to dismiss, the former director filed a separate, parallel action, naming the Company and MedMelior before the United States District Court for the Southern District of New York, asserting substantially the same claims as in the State Court action. The Company believes that lawsuit to be unfounded and has filed a motion to dismiss, substantially similar to the motion granted by the State Court.
- (g) In January 2022, a statement of claim was filed against the Company by a third party for breach of a marketing contract. In March 2023, this claim was settled for \$30,000.
- (h) At January 31, 2023, certain of the Company’s research and development programs, with a total contracted amount of \$5.59 million, were in progress of which the Company has paid \$3.06 million and a further \$2.53 million remains to be paid in future periods.

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22. Operating Segment

The Company operates in one industry segment, development and commercialization of patented, differentiated and premium quality pharmaceuticals within one geographical area. All of the Company's long-lived assets are located in Canada.

23. Fair Value Measurements

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.

Financial assets and liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. The three levels are defined based on the observability of the significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and,
- Level 3: unobservable inputs for the assets or liabilities.

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 carrying values of amounts receivable excluding tax receivables, due to related parties and amounts payable and accrued liabilities approximate the fair values due to the short-term nature of these items. The fair value of the convertible debentures, financial guarantee liability and loans payable is partially derived from market interest rates. The risk of material change in fair value is not considered to be significant due to a relatively short-term nature. The Company does not use derivative financial instruments to manage this risk.

The following is an analysis of the Company's financial assets and liabilities at fair value as at January 31, 2023 and 2022:

	As at January 31, 2023		
	Level 1 \$	Level 2 \$	Level 3 \$
Cash	8,307	–	–
Warrant liabilities	–	–	20,700
	As at January 31, 2022		
	Level 1 \$	Level 2 \$	Level 3 \$
Cash	173,513	–	–
Financial guarantee liability	–	–	1,083,295
Warrant liabilities	–	–	353

There were no transfers between level 1, 2 and 3 inputs during the year.

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24. Management of Financial Risk

The Company's financial instruments are exposed to certain risks as summarized below:

(a) Credit risk

Credit risk is the risk of loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash is held through reputable financial institutions in Canada, U.S. and Australia. The carrying amount of cash represent the maximum exposure to credit risk. As at January 31, 2023, this amounted to \$8,307.

(b) Interest rate risk

Interest rate risk is the risk that fair values or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk through the management of its capital structure (Note 25). Accounts payable and accrued liabilities, due to related parties and other liabilities are due within the current operating period.

The table below summarizes the maturity profile of the Company's financial liabilities at January 31, 2023 based on contractual undiscounted payments:

	0 – 12 Months	Over 12 Months
	\$	\$
Accounts payable and accrued liabilities	5,436,024	–
Due to related parties	964,261	–
Financial guarantee liability	667,042	440,170
Warrant liabilities	–	20,700
Loans payable	80,000	–

(d) Currency risk

Currency risk is the risk of loss due to fluctuation of foreign exchange rates and the effects of these fluctuations on foreign currency denominated monetary assets and liabilities. A 5% change in exchange rates will increase or decrease the Company's loss by approximately \$170,000. The Company does not invest in derivatives to mitigate these risks.

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25. Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and commercialization of patented pharmaceuticals, and to maintain a flexible capital structure. The Company considers its capital to be its shareholders' equity.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its assets. To maintain or adjust its capital structure, the Company may issue new common shares or debentures, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. In order to maximize ongoing development efforts, the Company does not pay out dividends. There are no external restrictions on the Company's capital.

26. Events After the Reporting Date

- (a) In March 2023, the Company closed a brokered private placement pursuant to which it issued 15,000,000 units at a price of \$0.10 per unit for gross proceeds of \$1,500,000. Each unit is comprised of one common share and one share purchase warrant entitling the holder to acquire one common share at an exercise price of \$0.15 for a period of 60 months. The Company paid \$84,000 in brokers' fee and issued 840,000 of brokers' warrants entitling the holder to purchase one common share at an exercise price of \$0.10 for a period of 24 months.
- (b) In March 2023, the Company closed on a non-brokered private placement pursuant to which it issued 3,571,429 units at a price of US\$0.07 per unit for gross proceeds of \$357,143 (US\$250,000). Each unit is comprised of one common share and one share purchase warrant entitling the holder to acquire one common share at an exercise price of US\$0.11 for a period of 60 months.
- (c) In April 2023, outstanding compensation to officers totaling approximately \$470,000 was forgiven.
- (d) In May 2023, the Company granted 5,595,000 stock options with an exercise price of \$0.075 and expiry date of May 1, 2026 to officers and a director.
- (e) In May 2023, MedMelior issued 442,667 common shares and 221,333 share purchase warrants, with an exercise price of US\$1.25 and a two year expiry, to NCI for gross proceeds of US\$332,000.
- (f) Subsequent to January 31, 2023, 1,220,000 stock options forfeited or expired unexercised and 200,000 share purchase warrants expired unexercised.