



**CORE ONE LABS INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**For the fifteen months ended March 31, 2023**  
**(Expressed in Canadian Dollars)**

## **Independent Auditor's Report**

### ***To the Shareholders of Core One Labs Inc.***

#### ***Opinion***

We have audited the financial statements of Core One Labs Inc. (“the Company”), which comprise the consolidated statements of financial position as at March 31, 2023 and the statements of changes in shareholders' deficiency, comprehensive loss, and cash flows for the fifteen month period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2023, and its consolidated financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards (“IFRS”).

#### ***Basis for Opinion***

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

#### **Material Uncertainty Related to Going Concern**

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$19,977,274 during the period ended March 31, 2023 and, its ability to continue as a going concern is contingent upon raising the necessary funds. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect to this matter.

#### **Other Matter**

The consolidated financial statements of the Company for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on the financial statements on December 31, 2021.

#### **Other Information**

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the financial statements**

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

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

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

### **Auditor's Responsibilities for the Audit of the financial statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ben Borgers.

**/S BF Borgers CPA PC**

BF Borgers CPA PC Lakewood, Colorado August 3, 2023

**CORE ONE LABS INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
As at March 31, 2023 and December 31, 2021  
(Expressed in Canadian Dollars)

	<b>March 31, 2023</b>	<b>December 31, 2021</b>
<b><u>ASSETS</u></b>		
Current		
Cash	\$ 626,475	\$ 763,345
Amounts receivables – Note 9	160,027	185,046
Advances receivables – Note 9	23,544	29,422
Prepaid expenses and deposits	209,552	71,681
Inventory	3,339	2,903
Investments – Note 6	110,000	110,000
	<u>1,132,937</u>	<u>1,162,397</u>
Property, plant, and equipment – Note 7	685,464	154,564
Intangible asset – Note 5, 8	5,703,273	5,701,750
Goodwill – Note 5, 8	591,587	591,587
	<u>8,113,261</u>	<u>7,610,298</u>
<b>Total Assets</b>	<b>\$ 8,113,261</b>	<b>\$ 7,610,298</b>
<b><u>LIABILITIES</u></b>		
Current		
Accounts payable and accrued liabilities – Note 10	\$ 1,009,933	\$ 2,953,940
Due to related parties – Note 14	-	209,077
Advances payable – Note 12	108,324	108,528
Note payable – Note 13	280,000	30,000
	<u>1,398,257</u>	<u>3,301,545</u>
<b>Total liabilities</b>	<b>1,398,257</b>	<b>3,301,545</b>
<b><u>SHAREHOLDERS' EQUITY</u></b>		
Share capital – Note 15	150,827,291	127,543,987
Contributed surplus	20,719,269	21,724,485
Accumulated other comprehensive income (loss)	(188,666)	(294,103)
Accumulated deficit	(164,642,890)	(144,665,616)
	<u>6,715,004</u>	<u>4,308,753</u>
<b>Total Shareholders' Equity</b>	<b>6,715,004</b>	<b>4,308,753</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 8,113,261</b>	<b>\$ 7,610,298</b>
Going Concern of Operations – Note 1		
Commitments and Contingency – Note 18		
Subsequent Events – Note 23		

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

<u>“Joel Shacker”</u>	Director	<u>“Geoff Balderson”</u>	Director
Joel Shacker		Geoff Balderson	

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

**CORE ONE LABS INC.**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

For the fifteen months ended March 31, 2023 and twelve months ended December 31, 2021

(Expressed in Canadian Dollars)

	For the fifteen months ended March 31, 2023	For the twelve months ended December 31, 2021
		(Note 21)
Revenue	\$ 573,177	\$ 431,616
Expenses		
Advertising and promotion	587,682	3,711,357
Amortization – Note 7	52,747	38,769
Consulting – Note 13	1,086,336	958,846
Foreign exchange (gain) loss	(101,456)	(20,744)
General and administrative	164,197	218,189
Interest expense and accretion	1,718	22,251
Professional fees	704,263	450,091
Research and development	100,431	627,287
Regulatory fees	91,943	96,090
Share-based payments – Notes 14 and 15	6,783,966	5,980,860
Wages and salaries – Note 14	797,731	654,351
	<u>(10,269,558)</u>	<u>(12,737,347)</u>
Net (loss) before other items	(9,696,381)	(12,305,731)
Other Items		
Forgiveness of accounts payable	1,304,464	11,783
Gain (loss) on settlement of debt – Note 15	(81,811)	(170,848)
Gain (loss) on investments – Note 6	-	566,911
Impairment of amounts receivable – Note 9, 20	(596)	(1,876,719)
Impairment of equipment – Note 7	-	(400,000)
Impairment of goodwill – Note 8	-	(574,322)
Impairment of prepaid expenses	-	(40,000)
Other income	-	37,300
Provision for loss – Note 18	-	93,270
Transaction expense – Note 5	(11,502,950)	(22,396,551)
	<u>(10,280,893)</u>	<u>(37,054,907)</u>
<b>Net income (loss) from continuing operations</b>	<b>(19,977,274)</b>	<b>(37,054,907)</b>
Net income (loss) from discontinued operations – Note 20	-	-
<b>Total net income (loss) for the year</b>	<b>(19,977,274)</b>	<b>(37,054,907)</b>
Other comprehensive income (loss) attributed to:		
Shareholders of the Company	(19,977,274)	(215,665)
Non-controlling interest	-	-
<b>Total comprehensive income (loss) for the year</b>	<b>\$ (19,977,274)</b>	<b>\$ (37,270,572)</b>
Net income (loss) attributed to:		
Shareholders of the Company	\$ (19,977,274)	\$ (37,054,907)
Non-controlling interest	-	-
	<u>\$ (19,977,274)</u>	<u>\$ (37,054,907)</u>
Total comprehensive income (loss) attributed to:		
Shareholders of the Company	\$ (19,977,274)	\$ (37,270,572)
Non-controlling interest	-	-
	<u>\$ (19,977,274)</u>	<u>\$ (37,270,572)</u>
Total comprehensive income (loss) attributed to:		
Continuing operations	\$ (19,977,274)	\$ (37,270,572)
Discontinued operations	-	-
<b>Total Comprehensive loss</b>	<b>\$ (19,977,274)</b>	<b>\$ (37,270,572)</b>
Basic and diluted loss per share –		
Continuing operations	\$ (0.61)	\$ (2.57)
Discontinued operations	\$ -	\$ -
All operations	<u>\$ (0.61)</u>	<u>\$ (2.57)</u>
Weighted average number of shares outstanding – basic and diluted	32,709,344	14,419,549

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

**CORE ONE LABS INC.**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

For the fifteen months ended March 31, 2023 and twelve months ended December 31, 2021

(Expressed in Canadian Dollars)

	Share capital		Commitment	Contributed	Accumulated	Accumulated	Other	Total
	Issued	Amount	to issue	Surplus	Deficit	Comprehensive	Income	
	Shares*		Shares					
<b>Balance, December 31, 2020</b>	<b>11,837,816</b>	<b>\$ 97,183,706</b>	<b>\$ 1,000,000</b>	<b>\$13,795,711</b>	<b>\$ (106,508,345)</b>	<b>\$</b>	<b>(78,438)</b>	<b>\$ 5,392,634</b>
Consideration issued on acquisition of KICT	29,400	202,860	-	-	-	-	-	202,860
Consideration issued on acquisition of BlueJay	1,168,750	9,583,612	-	6,064,641	-	-	-	15,648,253
Consideration issued on acquisition of Akome	483,750	2,589,300	-	-	-	-	-	2,589,300
Consideration issued on acquisition of Frontier	684,630	3,053,454	-	1,824,173	-	-	-	4,877,627
Consideration issued on acquisition of New Path	5,814,000	3,488,400	-	-	-	-	-	3,488,400
Shares issued for debt settlement	493,160	2,851,065	(1,000,000)	-	-	-	-	1,851,065
Shares issued for stock options exercised	56,938	273,188	-	-	-	-	-	273,188
Shares issued for warrants exercised	1,203,885	3,282,504	-	-	-	-	-	3,282,504
Shares issued for agent warrants exercised	20,430	114,406	-	-	-	-	-	114,406
Return of shares to treasury	(345,722)	(724,408)	-	-	-	-	-	(1,826,772)
Transfer of fair value on warrants exercised	-	5,382,775	-	(5,382,775)	-	-	-	-
Transfer of fair value on stock options exercised	-	210,872	-	(210,872)	-	-	-	-
Transfer of fair value on agent warrants exercised	-	52,253	-	(52,253)	-	-	-	-
Share-based payments	-	-	-	5,685,860	-	-	-	5,685,860
Foreign exchange translation	-	-	-	-	-	(215,665)	(215,665)	(215,665)
Net loss for the year	-	-	-	-	(37,054,907)	-	-	(37,054,907)
<b>Balance, December 31, 2021 (Note 21)</b>	<b>21,447,037</b>	<b>\$ 127,543,987</b>	<b>\$ -</b>	<b>\$21,724,485</b>	<b>\$ (144,665,616)</b>	<b>\$</b>	<b>(294,103)</b>	<b>\$ 4,308,753</b>
Consideration issued on acquisition of Awakened	7,170,600	7,887,660	-	985,145	-	-	-	8,872,805
Consideration issued on acquisition of GMP	4,200,000	2,814,000	-	-	-	-	-	2,814,000
Consideration issued on acquisition of Vocan	625,000	568,750	-	-	-	-	-	568,750
Shares issued for debt settlement	1,744,002	979,027	-	-	-	-	-	979,027
Shares issued for vested RSUs	5,619,000	3,433,966	-	(3,433,966)	-	-	-	-
Shares issued for stock options exercised	1,638,000	1,326,780	-	-	-	-	-	1,326,780
Shares issued for warrants exercised	2,303,120	932,761	-	-	-	-	-	932,761
Share-based payments	-	-	-	6,783,966	-	-	-	6,783,966
Transfer of fair value on stock options exercised	-	848,165	-	(848,165)	-	-	-	-
Transfer of fair value on warrants exercised	-	4,492,196	-	(4,492,196)	-	-	-	-
Net loss for the fifteen months	-	-	-	-	(19,977,274)	105,437	(19,871,837)	(19,871,837)
<b>Balance, March 31, 2023</b>	<b>44,746,759</b>	<b>\$ 150,827,291</b>	<b>\$ -</b>	<b>\$ 20,719,270</b>	<b>\$ (164,642,890)</b>	<b>\$</b>	<b>(188,666)</b>	<b>\$ 6,715,004</b>

\*All periods are adjusted for the 8:1 share consolidation completed on July 15, 2021 – see Note 1.

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

**CORE ONE LABS INC.****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

For the fifteen months ended March 31, 2023 and twelve months ended December 31, 2021

(Expressed in Canadian Dollars)

	<b>For the fifteen months ended March 31, 2023</b>	<b>For the twelve months ended December 31, 2021</b>
		(Note 21)
<b>Operating Activities</b>		
Net loss for the period from continuing operations	\$ (19,977,274)	\$ (37,054,907)
Charges to net loss not affecting cash:		
Accretion and interest expense	-	23,223
Amortization and depreciation	52,747	38,769
Foreign exchange	105,208	(215,490)
Forgiveness of accounts payable	1,304,464	(11,783)
Impairment on amounts receivable	596	1,876,719
Impairment on equipment	-	400,000
Impairment on intangible assets	-	574,322
Impairment on prepaid expenses	-	40,000
Loss (Gain) on settlement of debt	81,811	170,848
Loss (Gain) on investment	-	(566,911)
Provision for loss	-	(93,270)
Share-based payments	6,783,966	5,980,860
Transaction expense	11,502,950	22,396,551
Changes in non-cash working capital balances related to operations:		
Amounts receivable	24,423	1,268,156
Advances receivable	48,137	-
Prepaid expenses and deposit	(180,541)	(11,290)
Accounts payable and accrued liabilities	(2,512,782)	561,272
Amounts due to related parties	-	(19,169)
<b>Cash (used in) operating activities – continuing operations</b>	<b>(2,766,295)</b>	<b>(4,642,100)</b>
<b>Investing Activities</b>		
Cash acquired from acquisition of subsidiaries	262,608	1,301,165
Marketable securities	-	-
Equipment purchase	(33,647)	(8,681)
<b>Cash provided by (used in) investing activities – continuing operations</b>	<b>228,961</b>	<b>1,292,484</b>
<b>Financing Activities</b>		
Advances payable	-	-
Proceeds from notes	140,923	-
Proceeds from issuance of common shares	2,259,541	3,584,597
<b>Cash provided by financing activities – continuing operations</b>	<b>2,400,464</b>	<b>3,584,597</b>
Effect of foreign exchange on cash	-	-
Cash flows from continuing operations	(136,870)	234,981
Cash flows from discontinued operations – Note 20	-	-
Change in cash during the year	(136,870)	234,981
Cash, beginning of the year	763,345	528,364
<b>Cash, end of the year</b>	<b>\$ 626,475</b>	<b>\$ 763,345</b>
Cash comprised of:		
Cash – Continued operations	\$ 626,475	\$ 763,345
Cash – Discontinued operations	-	-
	\$ 626,475	\$ 763,345
Supplemental disclosure – See Note 19		

During the year, the Company paid \$Nil for interest and taxes (2021 - \$Nil).

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



## **CORE ONE LABS INC.**

### **Notes to the Consolidated Financial Statements**

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

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#### **1. NATURE AND CONTINUANCE OF OPERATIONS**

Core One Labs Inc. (the “Company” or “Core One”) was incorporated on September 14, 2010, pursuant to the provision of the Business Corporations Act (British Columbia). Core One is a psychedelic research and development company focused on bringing psychedelic medicines to market through novel delivery systems and psychedelic assisted psychotherapy and intends to further develop and apply the technology to psychedelic compounds, such as psilocybin. The Company’s head office is located at Suite 3123 – 595 Burrard Street, Three Bentall Centre P.O. Box 49139; Vancouver, BC, V7X 1J1, Canada. The Company’s shares trade on the Canadian Securities Exchange under the trading symbol “COOL,” on the OTCQX under the trading symbol “CLABF,” and on the Borse Frankfurt Exchange under the symbol “LD6, WKN: A14XHT”.

On July 7, 2020, the Company consolidated its issued and outstanding common shares on the basis of two (2) pre-consolidation shares for every one (1) post-consolidation share (the “July 2020 Consolidation”). On July 15, 2021, the Company further consolidated its issued and outstanding common shares on the basis of eight (8) pre-consolidation shares for every one (1) post consolidation share (the “July 2021 Consolidation”). All shares, options, warrants, and per share amounts were adjusted to reflect the consolidation ratio and are presented in these financial statements on a post-consolidation basis.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation in the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At March 31, 2023, the Company has not yet achieved profitable operations and has an accumulated deficit of \$164,642,890 (December 31, 2021 - \$144,665,616) and for the fifteen months ended March 31, 2023, incurred a loss of \$19,977,274 and expects to incur further losses in the development of its business.

These circumstances comprise a material uncertainty which may cast significant doubt as to the ability of the Company to continue as a going concern. The Company’s continuation as a going concern is dependent upon successful results from its research and development activities, its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future. If the going concern assumption were not appropriate for these financial statements, then adjustments may be necessary in the carrying values of assets and liabilities, the reported expenses, and the statement of financial position classifications used. Such adjustments could be material.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements.

**CORE ONE LABS INC.****Notes to the Consolidated Financial Statements**

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

**2. BASIS OF PREPARATION****(a) Statement of Compliance**

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

The consolidated financial statements were authorized for issue by the Audit Committee and approved and authorized for issue by the Board of Directors on August 3, 2023.

**(b) Basis of Measurement and Presentation**

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These consolidated financial statements are presented in Canadian dollars, which is the Company and its Canadian-based subsidiaries’ functional currency. The functional currency of the Company’s USA-based subsidiaries’ functional currency is the United States Dollar (“USD”). All financial information is expressed in Canadian dollars unless otherwise stated and have been rounded to the nearest dollar.

**(c) Basis of Consolidation**

As of the date of these consolidated financial statements, the Company’s structure is represented by Core One Labs Inc., and it is wholly owned subsidiaries as follows:

<b>Name</b>	<b>Jurisdiction of Incorporation</b>	<b>Interest 2023</b>	<b>Interest 2021</b>	<b>Function</b>
Akome Biotech Ltd.	British Columbia	100%	100%	Research and development
Awakened Biosciences Inc.	British Columbia	100%	-	Research and development
Bluejay Mental Health Group Inc.	British Columbia	100%	100%	Medical clinic
Canna Delivery Systems Inc.	Nevada	100%	100%	Holding company
Frontier Mycology Corp.	British Columbia	100%	100%	News dissemination
GMP Drug Inc.	Ontario	100%	-	Research and development
Ketamine Infusion Centers of Texas, LLC	Texas	100%	100%	Medical clinic
Lifestyle Capital Corporation	California	100%	100%	Financing
New Path Laboratories Inc.	British Columbia	100%	100%	Natural health products
Omni Distribution Inc.	California	100%	100%	Holding company
Optimus Prime Design Corp.	British Columbia	100%	100%	Holding company
Rainy Daze Cannabis Corp.	British Columbia	100%	100%	Micro cultivation
Rejuva Alternative Medicine Research Centre Inc.	British Columbia	100%	100%	Medical clinic
Vocan Biotechnologies Inc.	British Columbia	100%	100%	Research and development

The results of the wholly owned subsidiaries will continue to be included in the consolidated financial statements of the Company until the date that the Company’s control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated on consolidation.

## CORE ONE LABS INC.

### Notes to the Consolidated Financial Statements

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been applied consistent throughout by the Company for purposes of these financial statements.

#### a) Cash and cash equivalents

Cash and cash equivalents include highly liquid instruments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For the periods presented, the Company does not have any cash equivalents.

#### b) Financial instruments

Financial assets and financial liabilities are recognized on the consolidated statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. All financial instruments are measured at initial recognition at fair value plus any transaction costs that are directly attributable to the acquisition of the financial instruments except for transaction costs related to financial instruments classified as at fair value through profit or loss which are expensed as incurred.

#### Classification

The initial classification of a financial asset depends on the Company's business model for managing its financial assets and the contractual terms of the cash flows. Three categories into which the Company classifies its financial assets are:

- (i) Amortized cost. A financial asset is measured at amortized cost if the contractual cash flows to repay the principal and interest are made at specific dates and if the Company's business model is to collect the contractual cashflows. Subsequent measurement uses the effective interest method, less any provision for impairment.
- (ii) Fair value through other comprehensive income (FVTOCI). A financial asset is measured at FVTOCI if the Company's business model is both to collect the contractual cashflows and sell assets and the contractual terms of the assets give rise on specified dates to cash flows that are solely repayments of principal and interest. The Company can make an irrevocable election at initial recognition to classify the instruments at FVTOCI, with all subsequent changes in fair value being recognized in other comprehensive income. This election is available for each separate investment. Under this FVTOCI category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. On disposal of the investment the cumulative change in fair value is not recycled to profit or loss, rather transferred to deficit. The Company does not have any financial assets designated as FVTOCI.
- (iii) Fair value through profit or loss (FVTPL). A financial asset is measured at FVTPL if it cannot be measured at amortized cost or FVTOCI. At initial recognition the Company may also irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

A financial liability is initially classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at FVTPL if it is held for trading, a derivative, contingent consideration of an acquirer in a business combination, or has been designated as FVTPL on initial recognition. Financial liabilities at FVTPL are measured at fair value with changes in fair value, along with any interest expense, recognized in profit or loss. All other financial liabilities are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method.

**CORE ONE LABS INC.**  
**Notes to the Consolidated Financial Statements**  
For the fifteen months ended March 31, 2023  
(Expressed in Canadian Dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**b) Financial instruments (continued)**

Classification (continued)

The following table shows the classification of the Company's financial assets and liabilities under IFRS 9:

<b>Financial assets/liabilities</b>	<b>Classification</b>
Cash and cash equivalents	FVTPL
Amounts and advances receivable	Amortized cost
Investments	FVTPL
Accounts payables and accrued liabilities	Amortized cost
Amounts due to related parties	Amortized cost
Advances payable	Amortized cost
<b>Note payable</b>	Amortized cost

Measurement

*Financial assets and liabilities at amortized cost*

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

*Financial assets and liabilities at FVTPL*

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

*Debt investments at FVTOCI*

These assets are subsequently measured at fair value. Interest income is calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

*Equity investments at FVTOCI*

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Impairment of financial assets at amortized cost and expected credit losses

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 credit risk of the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statement of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Loss allowances for accounts receivables are always measured at an amount equal to lifetime expected credit losses if the amount is not considered fully recoverable. Losses are recognized in the statement of comprehensive loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statements of comprehensive loss.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **b) Financial instruments (continued)**

##### Derecognition

###### *Financial assets*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity.

###### *Financial liabilities*

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or when they expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

#### **c) Foreign currency translation**

Transactions in foreign currencies are translated using the exchange rate prevailing at the date of the transaction. At each reporting date, foreign currency denominated monetary assets and liabilities are translated at year-end exchange rates. Exchange differences arising from the transactions are recorded in profit or loss for the period, except for exchange differences relating to borrowings hedging net investments denominated in the consolidated subsidiaries' currency.

These differences are recognized in other comprehensive income as currency translation differences until the disposal of the net investment. Exchange differences arising from operating transactions are recorded in operating profit for the period; exchange differences related to financing transactions are recognized as finance costs or income, or in other comprehensive income.

The assets and liabilities of a foreign operation, including goodwill and fair value adjustments arising from the acquisition, are translated in Canadian dollars at year-end exchange rates. Income and expenses, and cash flows of a foreign operation are translated in Canadian dollars using average exchange rates. Differences resulting from translating foreign operations are reported as translation differences in equity. When a foreign operation is disposed of, the translation differences previously recognized in equity are reclassified to profit or loss.

#### **d) Provisions**

A provision is recognized when it becomes probable that a present obligation arising from a past event will require an outflow of resources that can be reliably estimated. The amount of the provision is the best estimate of the outflow of resources required to settle this obligation. Where a potential obligation resulting from past events exists, but occurrence of the outflow of resources is not probable or the estimate is not reliable, these contingent liabilities are disclosed in commitments and contingencies.

#### **e) 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, related parties 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.

**CORE ONE LABS INC.**

**Notes to the Consolidated Financial Statements**

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f) Income taxes**

Current income tax

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

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

Deferred tax

Deferred tax is recorded by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it will not be recognized. Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**g) Share capital**

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, stock options, and warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

*Valuation of equity units issued in private placements*

The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as private placement units. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced, and any residual value is allocated to the share-based payments reserve. The fair value of the common shares is based on the closing quoted bid price on the announcement date. Consideration received for the exercise of warrants is recorded in share capital and the related residual value in warrants reserve is transferred to share capital. For those warrants that expired, the recorded value is retained in the share-based payments reserve.

**CORE ONE LABS INC.**

**Notes to the Consolidated Financial Statements**

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**h) Share-based payments**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees, and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

For both employees and non-employees, the fair value of share-based payments is recognized as either an expense or as mineral property interests with a corresponding increase in share-based payments reserve. The amount recognized as expense is adjusted to reflect the number of stock options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in share-based payments reserve is transferred to share capital.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where a grant of options is cancelled and settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense. The amounts recorded in reserves for unexercised stock options are retained in the share-based payments reserve.

**i) Loss per share**

Loss per share is computed by dividing net loss available to common shareholders by the weighted average number of outstanding common shares for the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In periods where a net loss is reported, outstanding options and warrants are excluded from the calculation of diluted loss per share, as they are anti-dilutive. Diluted loss per share is equal to the basic loss per share as net losses were reported during the periods presented.

**j) Financing costs**

The costs related to equity transactions are deferred until the closing of the equity transactions. These costs are accounted for as a deduction from equity. Transaction costs of abandoned equity transactions are recognized in the statement of comprehensive loss.

**CORE ONE LABS INC.**

**Notes to the Consolidated Financial Statements**

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**k) Inventory**

Inventories, which comprise raw materials and supplies, work-in-progress and finished products, are stated at the lower of cost and net realizable value. Costs of inventories are determined using the weighted average cost method and include the cost of purchase, the cost of conversion (labour and overhead) and other costs required to bring the inventories to their present location and condition. Net realizable value represents the estimated selling price for inventories, less all estimated costs of completion and costs necessary to make the sale. The cost of work-in-process and finished product inventories includes the cost of materials, the cost of direct labour, and a systematic allocation of manufacturing overheads based on a normal range of capacity for the production facility.

Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling prices, the amount of write-down previously recorded is reversed.

Inventory consists of finished goods and merchandise available for sale at the Company's medical clinic.

**l) Property and equipment**

Property and equipment are stated at historical cost less accumulated amortization and accumulated impairment losses. Cost includes costs paid to acquire assets from third parties as well as costs incurred in internally constructed assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss. Amortization is calculated as follows:

- Production equipment is amortized using declining balance depreciation method ("DB") at a rate of 20%;
- Transportation vehicles are amortized using DB at a rate of 30%;
- Leasehold improvements and facility upgrade costs are amortized using a straight-line method ("SL") over the asset's useful life or a lease period plus one renewal period; and
- Land, having an unlimited useful life, is not depreciated.

No depreciation is recorded where an asset is in development and not yet ready for its intended use.

**m) Intangible assets**

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization of definite life intangible assets is recognized on a straight-line basis over their estimated useful lives.

In-process research & development ("IPR&D") acquired is capitalized as intangibles not yet brought into use and accordingly not amortized, rather the intangible is tested for impairment on an annual basis or more frequently if there are indications that IPR&D may be impaired. When IPR&D is completed, the asset will be assigned a useful life and amortized, or when abandoned, written off as an impairment. Indefinite life intangible assets, including IPR&D, are measured at cost less accumulated impairment losses.



**CORE ONE LABS INC.**

**Notes to the Consolidated Financial Statements**

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**n) Goodwill**

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible assets acquired. Goodwill is not subject to amortization and an impairment test is performed annually or as events occur that could indicate impairment. Goodwill is reported at cost less any impairment.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (“CGUs”). To test for impairment, goodwill is allocated to each of the Company’s CGUs, groups of CGUs, or an operating segment expected to benefit from the acquisition. Goodwill is tested by combining the carrying amounts of equipment, intangible assets, and goodwill and comparing this to the recoverable amount. Fair value less costs of disposal is price to be received in an orderly transaction between market participants. Value in use is assessed using the present value of the expected future cash flows. Any excess of the carrying amount over the recoverable amount is recorded as impairment. Impairment charges, which are not tax affected, are recognized in the statement of loss and comprehensive loss and are not reversed.

**o) Impairment of non-financial assets**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (“CGU”) to which the assets belong.

Recoverable amount is the higher of 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 or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, however the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years.

**p) Business combination**

Upon the acquisition of a business, the acquisition method of accounting is used, whereby the purchase consideration is allocated to the identifiable assets, liabilities, and contingent liabilities (identifiable net assets) acquired on the basis of fair value at the date of acquisition. When the cost of the acquisition exceeds the fair value attributable to the Company’s share of the identifiable net assets, the difference is treated as goodwill, which is not amortized and is reviewed for impairment annually or more frequently when there is an indication of impairment. If the fair value attributable to the Company’s share of the identifiable net assets exceeds the cost of acquisition, the difference is immediately recognized in the statement of loss and comprehensive loss.

Acquisition related costs, other than costs to issue debt or equity securities of the acquirer, including investment banking fees, legal fees, accounting fees, valuation fees, and other professional or consulting fees are expensed as incurred. The costs to issue equity securities of the Company as consideration for the acquisition are reduced from share capital as share issuance costs. The costs to issue debt securities are capitalized and amortized using the effective interest method.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **q) Revenue recognition**

To determine whether to recognize revenue, the Company follows a 5-step process:

- a. Identifying the contract with a customer.
- b. Identifying the performance obligations.
- c. Determining the transaction price.
- d. Allocating the transaction price to the performance obligations.
- e. Recognizing revenue when/as performance obligation(s) are satisfied.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties. Revenue is recognized at a point in time when the Company satisfies performance obligations by transferring the promised goods or services to its customers.

The Company, through its subsidiary Bluejay Mental Health Group Inc., operates a virtual clinic that assesses patients for the appropriateness of treatment plans for the use of medical cannabis to treat their symptoms. The Company partners with physicians and Health Canada's licensed producers for the provision of treatments, fulfilment of prescriptions and sale of related products. Agreements are signed with licensed producers for patient education and client referral services, whereby the Company receives fees based on services provided to the licensed producers and for referred patients.

#### **r) Research and development**

Research costs are expensed when incurred. Internally-generated technology costs are capitalized as intangible assets when the Company can demonstrate that the technical feasibility of the project has been established; the Company intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Company can reliably measure the expenditure attributable to the intangible asset during its development. After initial recognition, internally generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses.

These costs are amortized on a straight-line basis over the estimated useful lives of 5 years. The Company did not have any development costs that met the capitalization criteria for the 15 months ended March 31, 2023 and year ended December 31, 2021.

#### **s) Recent accounting pronouncements**

Certain new standards, interpretations, and amendments to existing standards have been issued by the IASB or IFRC that are mandatory for accounting years beginning after January 1, 2022, or later years. New accounting pronouncements that are not applicable or are not consequential to the Company have been excluded in the preparation of these consolidated financial statements.

A number of new standards, and amendments to standards and interpretations, are not effective for the fifteen months ended March 31, 2023, and have not been early adopted in preparing these financial statements. These new and amended standards are not expected to have a material impact on the Company's financial statements. The following accounting standards and amendments are effective for future periods:

- i. Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments to IAS 1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2023.

## CORE ONE LABS INC.

### Notes to the Consolidated Financial Statements

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

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#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### *Significant judgments*

Management has made critical judgments in the process of applying accounting policies. The judgments with the most significant effect on the amounts recognized in the financial statements include:

- i. The assessment of the Company's ability to continue as a going concern and its ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances. The factors considered by management are disclosed in Note 1.
- ii. Management is required to assess the functional currency of the Company. In concluding that the Canadian dollar is the functional currency of the Company, management considered the currency that mainly influences the operating expenditures in the jurisdiction in which the Company operates.
- iii. The determination of whether a set of assets acquired, and liabilities assumed in an acquisition constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or economic benefits. See Note 5 for details.

##### *Significant estimates*

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the current and next fiscal financial years:

- i. The Company uses the Black-Scholes option pricing model to value options and warrants granted during the year. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The model requires management to make estimates that are subjective and may not be representative of actual.
- ii. The determination of whether facts and circumstances suggest that the carrying value of intangible assets may exceed their recoverable amount is an area of significant estimate. Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment, estimates, and interpretations. Determining the recoverable amount of the individual asset or cash generating unit is subject to estimates and judgements. These estimates and judgments are inherently subjective given the company's stage of operations with no revenue producing history.

## CORE ONE LABS INC.

### Notes to the Consolidated Financial Statements

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

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#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

##### *Significant estimates (continued)*

- iii. The determination of whether facts and circumstances suggest that the carrying amount of intangible assets and goodwill may exceed their recoverable amount is an area of significant estimate. Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment, estimates, and interpretations. Determining the recoverable amount of the individual asset or the cash generating unit is subject to estimates and judgments. These estimates and judgments are inherently subjective given the Company's stage of operations with no revenue producing history.
- iv. The determination of fair value of assets acquired, liabilities assumed, and the fair value of the purchase consideration requires the use of various estimates made by management. The classification of a transaction as a business combination or asset acquisition depends on whether the assets acquired constitute a business in accordance with the criteria set forth in IFRS 3, Business Combination, which can be a complex judgement. The Company bases its estimates and judgments on current facts and various other factors that it believes to be reasonable under the circumstances. The actual results experienced by the Company may differ materially and adversely from the Company's estimates and could affect future results of operations and cash flows.
- v. The Company assesses its equipment, intangible assets, and goodwill, for possible impairment at each reporting date or if there are events or changes in circumstances that indicate the carrying values of the assets may not be recoverable. The recoverability of the Company's asset carrying values is assessed at the CGU level. The determination of CGUs is subject to management judgments taking into consideration: the nature of the underlying business operations, geographical proximity of operations, shared infrastructure, and exposure to market risk.

The assessment of any impairment of equipment, intangible assets and goodwill is dependent upon estimates of the recoverable amount that take into account factors such as economic and market conditions, timing of cash flows, the useful lives of assets, and their related salvage values. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is estimated using future cash flow projections, discounted to their present value, expected to arise from the CGU to which the goodwill relates. The required valuation methodology and underlying financial information that is used to determine value in use requires significant estimates to be made by management. These estimates include, but are not limited to, expected levels of activity within the psychedelics industry, long term projections of future financial performance and the selection of appropriate discount rates used to determine the present value of future cash flows. The estimated future cash flows are dependent upon a number of factors including, among others, future activity levels within the psychedelics industry, current economic and market conditions, and potential changes in government regulations. Future activity cannot be predicted with certainty and, as such, actual results may differ from these estimates. Changes to these estimates may affect the recoverable amounts of the Company's CGUs, which may then require a material adjustment to their related carrying values.

- vi. The determination of other provisions and contingent liabilities is a complex process that involves judgments about the outcomes of future events, estimates of timing and amount of future expenditures, the interpretation of laws and regulations, and discount rates. The amount recognized as a provision is management's best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

**CORE ONE LABS INC.****Notes to the Consolidated Financial Statements**

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

**5. ACQUISITIONS****Acquisition of GMP Drug Inc.**

On January 12, 2023, the Company completed the acquisition of all issued and outstanding share capital of GMP Drug Inc. ("GMP"). The acquisition was completed pursuant to the share purchase agreement dated February 9, 2022. In consideration for all of the shares of GMP, the Company issued 4,200,000 common shares.

At the date of acquisition, the Company determined that GMP did not constitute a business as defined under IFRS 3, *Business Combinations*, and the GMP acquisition was accounted for as an asset acquisition. The consideration paid was determined as an equity share-based payment under IFRS 2, *Share-based payments*, and recognized at the fair value of the common shares of the Company at a price of \$0.67 per share.

As a result of the acquisition, there were no intangible assets identified that met the recognition criteria under IFRS; therefore, the excess of the consideration paid over the fair value of the assets and liabilities assumed was expensed as transaction expense.

The following table summarizes the allocation of the purchase price to the fair value of the assets acquired and liabilities assumed, based on management's best estimate using the information currently available and may be revised by the Company as additional information is received and finalized:

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<b>Consideration paid:</b>		
Fair value of 4,200,000 common shares at \$0.67 per share	\$	2,814,000
	\$	2,814,000
<b>Net assets acquired (liabilities)</b>		
Cash	\$	59,780
Property, plant, and equipment		550,000
Total net assets		609,780
Transaction expense	\$	2,204,220

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**CORE ONE LABS INC.****Notes to the Consolidated Financial Statements**

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

**5. ACQUISITIONS (CONTINUED)****Acquisition of Awakened Biosciences Inc.**

On February 10, 2022, the Company completed the acquisition of all issued and outstanding share capital of Awakened Biosciences Inc. (“Awakened”). The acquisition was completed pursuant to the share purchase agreement dated February 9, 2022. In consideration for all of the shares of Awakened, the Company issued 7,030,000 common shares and 1,458,200 warrants. The Company also issued 140,600 common shares with a value of \$154,660 as an administration fee.

At the date of acquisition, the Company determined that Awakened did not constitute a business as defined under IFRS 3, *Business Combinations*, and the Awakened acquisition was accounted for as an asset acquisition. The consideration paid was determined as an equity share-based payment under IFRS 2, *Share-based payments*, and recognized at the fair value of the common shares of the Company at a price of \$1.10 per share. As a result of the transaction, the Company issued 1,458,200 warrants with a fair value of \$985,145. The warrants were valued using the Black-Scholes Option Pricing model using the following assumptions: Risk free rate of 1.60%; Volatility of 100%; Stock Price of \$1.10; Exercise price of \$1.15; Dividend yield of NIL% and expected life of 3 years.

As a result of the acquisition, there were no intangible assets identified that met the recognition criteria under IFRS; therefore, the excess of the consideration paid over the fair value of the assets and liabilities assumed was expensed as transaction expense.

The following table summarizes the allocation of the purchase price to the fair value of the assets acquired and liabilities assumed, based on management’s best estimate using the information currently available and may be revised by the Company as additional information is received and finalized:

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<b>Consideration paid:</b>	
Fair value of 7,030,000 common shares at \$1.10 per share	\$ 7,733,000
Fair value of 1,458,200 warrants	985,145
	<hr/>
	\$ 8,718,145
<b>Net assets acquired (liabilities)</b>	
Cash	\$ 202,828
Intangible assets – Patents	1,523
Accounts payable and accrued liabilities	(61,526)
Total net assets	<hr/>
	142,825
Fair value of 17,963 common shares at \$4.46 per share issued as administrative fees	154,660
Transaction expense	\$ 8,729,980

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**CORE ONE LABS INC.****Notes to the Consolidated Financial Statements**

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

**5. ACQUISITIONS (CONTINUED)****Acquisition of BlueJay Mental Health Group Inc.**

On March 11, 2021, the Company completed the acquisition of all issued and outstanding share capital of BlueJay Mental Health Group Inc. (“BlueJay”), a telemedicine health clinic specializing in alternative medicine and medical cannabis treatments, to expand the Company’s outreach to consumers for future treatments. The acquisition was completed pursuant to the share purchase agreement dated March 11, 2021. In consideration for all of the shares of BlueJay, the Company issued 1,143,750 common shares and 750,000 warrants. 206,250 of the consideration shares are subject to a voluntary pooling arrangement. The Company also issued 25,000 common shares with a value of \$210,000 as an administration fee.

The restricted common shares value was estimated using a commonly used option model that estimates the discount related to the lack of marketability of the shares from the contractual restriction.

At the date of acquisition, the Company determined that BlueJay constituted a business as defined under IFRS 3, *Business Combinations*, and the BlueJay acquisition was accounted for as a business combination. The consideration paid was recognized at the fair value of the common shares of the Company at a price of \$8.40 per share. As a result of the transaction, the Company issued 750,000 warrants with a fair value of \$6,064,641. The warrants were valued using the Black-Scholes Option Pricing model using the following assumptions: Risk free rate of 0.25%; Volatility of 148%; Stock Price of \$8.40; Exercise price of \$0.40; Dividend yield of NIL% and expected life of 2 years.

Prior to the acquisition of BlueJay by the Company, BlueJay acquired all the issued and outstanding common shares of Green Leaf Medical Clinic (“Green Leaf”). As a result of the acquisition of Green Leaf, intangible assets and goodwill were identified that met the recognition criteria under IFRS; therefore, the Company recognized the fair value of the intangible assets and goodwill received and the remaining excess of the consideration paid over the fair value of the assets and liabilities assumed was expensed as transaction expense. The value of the intangible assets and goodwill further to the acquisition of Green Leaf are consistent for the acquisition of BlueJay. Goodwill is recognized as a result of expected synergies between the treatments being developed by the Company’s research and development activities and the expertise of the health clinic in administering treatments to patients.

The following table shows the finalized allocation of the purchase price to the fair value of the assets acquired and liabilities assumed, based on the estimated fair value, including a summary of the identifiable classes of considered transferred, and amounts by category of assets acquired and liabilities assumed at the acquisition date:

**Consideration paid:**

Fair value of 1,143,750 common shares at \$8.40 per share	\$	9,607,500
Less: Restricted stock discount		(233,888)
Fair value of 750,000 warrants		6,064,641
	\$	15,438,253

**Net assets acquired (liabilities)**

Cash	\$	100,527
Net working capital		39,421
Security deposits		7,000
Property, plant, and equipment		79,568
Income taxes payable		(3,578)
CEBA loan		(30,000)
Intangible assets – Patient List		58,200
Intangible assets – Trade name		34,550
Goodwill		1,165,909

Total net assets		1,451,596
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Fair value of 25,000 common shares at \$8.40 per share issued as administrative fees		210,000
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Transaction expense	\$	14,196,657
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From the date of acquisition of March 11, 2021, to December 31, 2021, BlueJay incurred a net and comprehensive loss of \$631,296, excluding transaction expenses recognized in the transaction.

**CORE ONE LABS INC.****Notes to the Consolidated Financial Statements**

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

**5. ACQUISITIONS (CONTINUED)****Acquisition of Ketamine Infusion Centers of Texas LLC**

On March 29, 2021, the Company completed the acquisition of all of the outstanding membership interest in Ketamine Infusion Centers of Texas LLC (“KICT”), a limited liability company organized and existing under the laws of the State of Texas. The acquisition was completed pursuant to the Limited Liability Company interest purchase agreement dated February 18, 2021. In consideration for all of the membership interest of KICT, the Company issued 26,250 common shares of the Company to interest holders of KICT. The consideration shares are subject to a voluntary pooling arrangement. The Company also issued 2,624 common shares with a value of \$22,042 as finders’ fees and issued 526 common shares with a value of \$4,418 as an administration fee.

The restricted common shares value was estimated using a commonly used option model that estimates the discount related to the lack of marketability of the shares from the contractual restriction.

At the date of acquisition, The Company determined that KICT did not constitute a business as defined under IFRS 3, *Business Combinations*, and the KICT acquisition was accounted for as an asset acquisition. The consideration paid was determined as an equity share-based payment under IFRS 2, *Share-based payments*, and recognized at the fair value of the common shares of the Company at a price of \$8.40 per share.

As a result of the acquisition, there were no intangible assets identified that met the recognition criteria under IFRS; therefore, the excess of the consideration paid over the fair value of the assets and liabilities assumed was expensed as transaction expense.

The following table shows the finalized allocation of the purchase price to the fair value of the assets acquired and liabilities assumed, based on the estimated fair value, including a summary of the identifiable classes of considered transferred, and amounts by category of assets acquired and liabilities assumed at the acquisition date:

<b>Consideration paid:</b>	
Fair value of 26,250 common shares at \$8.40 per share	\$ 220,500
Less: Restricted stock discount	(44,100)
	\$ 176,400
<b>Net assets acquired (liabilities)</b>	
Cash	\$ 4,936
Due from related party	5,509
Inventory	1,394
Amounts payable and accrued liabilities	(11,838)
Due to related party	(2,361)
Total net (liabilities)	(2,360)
Fair value of 2,624 common shares at \$8.40 per share issued as finders’ fees	22,042
Fair value of 526 common shares at \$8.40 per share issued as administrative fees	4,418
Transaction expense	\$ 205,220



**CORE ONE LABS INC.****Notes to the Consolidated Financial Statements**

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

**5. ACQUISITIONS (CONTINUED)****Acquisition of Akome Biotech Ltd.**

On May 5, 2021, the Company completed the acquisition of all issued and outstanding share capital of Akome Biotech Ltd. (“Akome”). The acquisition was completed pursuant to the share purchase agreement dated April 23, 2021. In consideration for all of the shares of Akome, the Company issued 437,500 common shares. The consideration shares are subject to a voluntary pooling arrangement. The Company also issued 37,500 common shares with a value of \$252,000 as finders’ fees and issued 8,750 common shares with a value of \$58,800 as an administration fee.

The restricted common shares value was estimated using a commonly used option model that estimates the discount related to the lack of marketability of the shares from the contractual restriction.

At the date of acquisition, the Company determined that Akome did not constitute a business as defined under IFRS 3, *Business Combinations*, and the Akome acquisition was accounted for as an asset acquisition. The consideration paid was determined as an equity share-based payment under IFRS 2, *Share-based payments*, and recognized at the fair value of the common shares of the Company at a price of \$6.72 per share.

As a result of the acquisition, intangible assets were identified that met the recognition criteria under IFRS; therefore, the Company recognized the fair value of the intangible assets received and the remaining excess of the consideration paid over the fair value of the assets and liabilities assumed was expensed as transaction expense.

The following table shows the finalized allocation of the purchase price to the fair value of the assets acquired and liabilities assumed, based on the estimated fair value, including a summary of the identifiable classes of considered transferred, and amounts by category of assets acquired and liabilities assumed at the acquisition date:

**Consideration paid:**

Fair value of 437,500 common shares at \$6.72 per share	\$	2,940,000
Less: Restricted stock discount		(661,500)
	\$	2,278,500

**Net assets acquired (liabilities)**

Cash	\$	12,387
Intangible assets – Patents		1,520,000
Accounts payable and accrued liabilities		(3,000)
Loan payable		(100,000)
Total net assets		1,429,387

Fair value of 37,500 common shares at \$6.72 per share issued as finders’ fees		252,000
Fair value of 8,750 common shares at \$6.72 per share issued as administrative fees		58,800
Transaction expense	\$	1,159,913

**CORE ONE LABS INC.****Notes to the Consolidated Financial Statements**

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

**5. ACQUISITIONS (CONTINUED)****Acquisition of Frontier Mycology Corp.**

On August 17, 2021, the Company completed the acquisition of all issued and outstanding share capital of Frontier Mycology Corp. ("Frontier"). The acquisition was completed pursuant to the share purchase agreement dated August 16, 2021. In consideration for all of the shares of Frontier, the Company issued 666,667 common shares and 634,920 warrants. The Company also issued 17,963 common shares with a value of \$80,119 as an administration fee.

At the date of acquisition, the Company determined that Frontier did not constitute a business as defined under IFRS 3, *Business Combinations*, and the Frontier acquisition was accounted for as an asset acquisition. The consideration paid was determined as an equity share-based payment under IFRS 2, *Share-based payments*, and recognized at the fair value of the common shares of the Company at a price of \$4.46 per share. As a result of the transaction, the Company replaced 634,920 replacement warrants with a fair value of \$1,824,173. The warrants were valued using the Black-Scholes Option Pricing model using the following assumptions: Risk free rate of 0.44%; Volatility of 147.12%; Stock Price of \$4.46; Exercise price of \$4.46; Dividend yield of NIL% and expected life of 2 years.

As a result of the acquisition, there were no intangible assets identified that met the recognition criteria under IFRS; therefore, the excess of the consideration paid over the fair value of the assets and liabilities assumed was expensed as transaction expense.

The following table shows the finalized allocation of the purchase price to the fair value of the assets acquired and liabilities assumed, based on the estimated fair value, including a summary of the identifiable classes of considered transferred, and amounts by category of assets acquired and liabilities assumed at the acquisition date:

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<b>Consideration paid:</b>		
Fair value of 666,667 common shares at \$4.46 per share	\$	2,973,335
Fair value of 634,920 replacement warrants		1,824,173
	\$	4,797,508
<hr/>		
<b>Net assets acquired (liabilities)</b>		
Cash	\$	681,310
Due from related party		312,763
Accounts payable and accrued liabilities		(22,476)
Total net assets		971,597
<hr/>		
Fair value of 17,963 common shares at \$4.46 per share issued as administrative fees		80,119
Transaction expense	\$	3,906,030

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**CORE ONE LABS INC.****Notes to the Consolidated Financial Statements**

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

**5. ACQUISITIONS (CONTINUED)****Acquisition of New Path Laboratories Inc.**

On December 23, 2021, the Company completed the acquisition of all issued and outstanding share capital of New Path Laboratories Inc. ("New Path"). The acquisition was completed pursuant to the share purchase agreement dated December 22, 2021. In consideration for all of the shares of New Path, the Company issued 5,700,000 common shares. The Company also issued 114,000 common shares with a value of \$68,400 as an administration fee.

At the date of acquisition, the Company determined that New Path did not constitute a business as defined under IFRS 3, *Business Combinations*, and the New Path acquisition was accounted for as an asset acquisition. The consideration paid was determined as an equity share-based payment under IFRS 2, *Share-based payments*, and recognized at the fair value of the common shares of the Company at a price of \$0.60 per share.

As a result of the acquisition, there were no intangible assets identified that met the recognition criteria under IFRS; therefore, the excess of the consideration paid over the fair value of the assets and liabilities assumed was expensed as transaction expense.

The following table shows the finalized allocation of the purchase price to the fair value of the assets acquired and liabilities assumed, based on the estimated fair value, including a summary of the identifiable classes of considered transferred, and amounts by category of assets acquired and liabilities assumed at the acquisition date:

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<b>Consideration paid:</b>	
Fair value of 5,700,000 common shares at \$0.60 per share	\$ 3,420,000
	<hr/>
	\$ 3,420,000
	<hr/>
<b>Net assets acquired (liabilities)</b>	
Cash	\$ 502,005
Property, plant, and equipment	57,664
Total net assets	<hr/>
	559,669
	<hr/>
Fair value of 114,000 common shares at \$0.60 per share issued as administrative fees	68,400
Transaction expense	\$ 2,928,731

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**CORE ONE LABS INC.****Notes to the Consolidated Financial Statements**

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

**5. ACQUISITIONS (CONTINUED)****Acquisition of Vocan Biotechnologies Inc.**

On December 23, 2021, the Company completed the acquisition of all issued and outstanding share capital of Vocan Biotechnologies (“Vocan”). The acquisition was completed pursuant to the share purchase agreement dated December 13, 2022. In consideration for all of the shares of Vocan, the Company issued 625,000 common shares.

At the date of acquisition, the Company determined that Vocan did not constitute a business as defined under IFRS 3, *Business Combinations*, and the Vocan acquisition was accounted for as an asset acquisition. The consideration paid was determined as an equity share-based payment under IFRS 2, *Share-based payments*, and recognized at the fair value of the common shares of the Company at a price of \$0.91 per share.

As a result of the acquisition, there were no intangible assets identified that met the recognition criteria under IFRS; therefore, the excess of the consideration paid over the fair value of the assets and liabilities assumed was expensed as transaction expense.

The following table shows the finalized allocation of the purchase price to the fair value of the assets acquired and liabilities assumed, based on the estimated fair value, including a summary of the identifiable classes of considered transferred, and amounts by category of assets acquired and liabilities assumed at the acquisition date:

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<b>Consideration paid:</b>		
Fair value of 625,000 common shares at \$0.91 per share	\$	568,750
	\$	568,750
<b>Net assets acquired (liabilities)</b>		
Cash	\$	502,005
Property, plant, and equipment		57,664
Total net assets		559,669
Transaction expense	\$	568,750

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During the fifteen months ended March 31, 2023, in accordance with the share purchase agreement, the Company issued 625,000 common shares valued at \$568,750 pursuant to the completion of milestones stipulated in the agreement, which have been recorded in transaction expenses on the statement of loss and comprehensive loss.

## CORE ONE LABS INC.

### Notes to the Consolidated Financial Statements

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

## 6. INVESTMENTS

### Cannabis Growth Opportunity Corporation

On March 16, 2020, the Company acquired 3,149,606 common shares of Plant-Based Investment Corp. (formerly Cannabis Growth Opportunity Corporation) ("CGOC") in exchange for issuing CGOC 333,333 common shares of the Company. At the time of the transaction, the fair market value of CGOC shares was \$0.23 per share and the fair market value of the Company's shares was \$3.36 per share. On acquisition, the Company recognized marketable securities of \$724,408 for the CGOC shares. The CGOC shares cannot be sold without prior written consent of CGOC, until September 16, 2021, according to share exchange agreements between the Company and CGOC.

On April 14, 2021, the Company and CGOC reached an agreement to rescind the share exchange transaction and 333,333 common shares were returned to treasury for cancellation and the 3,149,606 common shares of CGOC were returned. The Company recorded \$1,102,364 in retained earnings for this transaction, which represents the difference between the \$1,826,771 fair value of the CGOC shares on the date of cancellation, measured based on the closing stock price, and the original \$724,408 value. During the twelve months ended December 31, 2021, a gain of \$566,911 was recognized, which represents the difference between the fair value of the investment at the date of disposal and original value.

### Shahcor

On July 10, 2020, the Company completed an acquisition (the "Shahcor Acquisition") of one-quarter of the non-voting participating share capital of Shahcor.

The Company paid cash of \$400,000 and issued 694,445 common shares to the existing shareholders of Shahcor in exchange for 25% of the non-voting participating share capital of Shahcor.

The existing shareholders of Shahcor will also be eligible to receive a one-time bonus payment of \$1,000,000 (the "Bonus Payment") in the event Shahcor achieves monthly recurring revenue of at least \$30,000 in the three months following completion of the Shahcor Acquisition. At the election of the Company, the Bonus Payment will be payable in cash, or common shares of the Company, based upon the volume-weighted average closing price of the common shares of the Company on the Canadian Securities Exchange in the ten trading days prior to the issuance of the shares. Shahcor met the requirements for the bonus payment accordingly, as at December 31, 2020, the Bonus Payment was recorded as commitment to issue shares and expensed to consulting fees. On April 30, 2021, the Company issued 126,574 common shares.

In connection with completion of the Shahcor Acquisition, the Company issued 13,889 common shares, and paid \$8,000 as an administrative fee to parties that assisted in the acquisition. The investment has been accounted for at fair value. The Company did not gain significant influence or control over Shahcor, and the shares purchases are non-voting shares.

The following table summarizes the recognition of investment assets at the date of acquisition.

	Total
<b>Consideration paid:</b>	
Fair value of shares issued (694,445 common shares at a value of \$6.40 per share)	\$ 3,672,400
Cash consideration due on closing	400,000
Administrative fee	8,000
13,889 common shares issued as Administration fee at a value of \$6.40 per share	88,889
	\$ 4,169,289
Impairment on investment	(4,059,289)
	\$ 110,000

As at the date of acquisition, the Company assessed for impairment and have recorded an impairment of \$4,059,289 and has determined at December 31, 2021 and March 31, 2023, there was no adjustment required based on the market and business conditions of Shahcor.

**CORE ONE LABS INC.****Notes to the Consolidated Financial Statements**

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

**7. PROPERTY, PLANT AND EQUIPMENT**

	EMR System		Equipment		Furniture		Office		Total
<b><u>Cost</u></b>									
Balance at December 31, 2020	\$	-	\$	985,470	\$	.	\$	.	\$ 985,470
BlueJay acquisition (Note 5)		61,670		202		15,276		2,420	79,568
New Path acquisition (Note 5)		-		57,664		-		-	57,664
Additions		-		6,014		1,667		1,000	8,681
Impairment		-		(400,000)		-		-	(400,000)
<b>Balance at December 31, 2021</b>		<b>61,670</b>		<b>649,350</b>		<b>16,943</b>		<b>3,420</b>	<b>731,383</b>
GMP acquisition (Note 5)		-		536,772		-		13,228	550,000
Additions		-		32,685		-		962	33,647
Elimination of fully amortized PPE		-		(515,919)		-		-	(515,919)
<b>Balance at March 31, 2023</b>		<b>61,670</b>		<b>702,888</b>		<b>16,943</b>		<b>17,610</b>	<b>799,111</b>
<b><u>Accumulated Amortization and Impairment</u></b>									
Balance at December 31, 2020		-		538,050		-		-	538,050
Depreciation		22,263		14,696		677		1,133	38,769
<b>Balance at December 31, 2021</b>		<b>22,263</b>		<b>552,746</b>		<b>677</b>		<b>1,133</b>	<b>576,819</b>
Depreciation		24,198		21,373		5,809		1,367	52,747
Elimination of fully amortized PPE		-		(515,919)		-		-	(515,919)
<b>Balance at March 31, 2023</b>	\$	<b>46,461</b>	\$	<b>58,200</b>	\$	<b>6,486</b>	\$	<b>2,500</b>	\$ <b>113,647</b>
<b><u>Net Book Value</u></b>									
At December 31, 2021	\$	39,407	\$	96,604	\$	16,266	\$	2,287	\$ 154,564
<b>At March 31, 2023</b>	\$	<b>15,209</b>	\$	<b>644,688</b>	\$	<b>10,457</b>	\$	<b>15,110</b>	\$ <b>685,464</b>

## CORE ONE LABS INC.

### Notes to the Consolidated Financial Statements

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

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## 8. INTANGIBLE ASSETS AND GOODWILL

### Intangible Assets

As at March 31, 2023, the Company has been granted and acquired patents that enable the Company to biosynthetically process and produce natural psilocybin molecules. These processes and procedures are being further refined to produce current good manufacturing practice (“cGMP”) grade psilocybin for use in clinical trials and for use by pharmaceutical companies, manufacturers, and research organizations. The Company also has intangible assets related to the trade name and patient list of its subsidiary. The intangibles have an indefinite life, and no amortization is recognized.

Pursuant to the acquisition of BlueJay, Akome, and Vocan and as described in Note 5, as at March 31, 2023, the Company has recognized \$5,703,273 (December 31, 2021 - \$5,701,750) in intangible assets.

### Goodwill

Pursuant to the acquisition of BlueJay, and as described in Note 5, as at March 31, 2023, the Company has recognized \$591,587 in goodwill. Further to the Company’s impairment assessment as at December 31, 2021, the Company has recognized an impairment of \$574,322 on the CGU.

### Impairment of Licenses and Goodwill

Intangible assets (patents) and goodwill are tested annually for impairment by comparing the carrying value of the CGU to the estimated recoverable amount, where the recoverable amount is the higher of the fair value less costs of disposal and value in use. The Company determined that all of the intangible assets acquired from the Vocan transaction and Akome transaction are recognized as in progress research and development (“IPR&D”). Accordingly, management has prepared an assessment of the progress and development of the patents and achievement of milestones since the time of acquisition and assessed that there is no impairment to the estimated recovery amount.

The Company determined that all of the assets and liabilities acquired from the BlueJay transaction, described in Note 5, represent one CGU. The recoverable amount for the CGU is determined using the discounted cash flow approach, which discounts the earnings projections derived from the business plans prepared by the Company. The projections reflect management’s expectations of revenue, profit margins, capital expenditures, working capital, and operating cash flows, which are based on past experience and future expectations of performance.

As at December 31, 2021, the Company completed its annual impairment test using the following key assumptions of its discounted cash flow analysis using the value in use method:

- Management has prepared a standard 4-year period projection using growth rates that range from 15% in 2024 to 5% in for 2025 based on management’s assessment of future industry trends, internal and external resources, and historical data.
- The present value of expected cash flows of each segment is determined by applying a suitable discount rate. The discount rate was derived based on the weighted average cost of capital for comparable entities in the cannabis, psychedelic, and pharmaceutical industry, based on market data. The discount rate reflects appropriate adjustments related to market risk and specific risk factors of the Company and has been determined to be 14%. A sensitivity analysis to increase the discount rate by 1% would result in an increase to the goodwill impairment recognized by \$65,949.
- Terminal growth rate of 2.0% is determined due to the entrance of new products in the market and possible generic alternatives that may offset population growth. A decrease in the terminal growth rate would result in a greater goodwill impairment for the CGU.

Future cash flows are based on various judgements and estimates including actual performance of the business, management’s estimates of future performance, and indicators of future industry activity levels. Based on the impairment test conducted, the Company has assessed that the CGU’s recoverable amount is less than the carrying value; therefore, the Company recognized an impairment loss of \$574,322 on the goodwill for the twelve months ended December 31, 2021.

**CORE ONE LABS INC.****Notes to the Consolidated Financial Statements**

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

**9. AMOUNTS AND ADVANCES RECEIVABLE**

	<b>March 31, 2023</b>	<b>December 31, 2021</b>
Trade accounts receivable	\$ 26,594	\$ 46,197
Due from Optimus (Note 19)	1,924,565	1,924,565
Due from EPG	939,458	939,458
GST receivable	133,613	138,849
Provision for doubtful accounts	(2,864,023)	(2,864,023)
<b>Total amounts receivable</b>	<b>\$ 160,027</b>	<b>\$ 185,046</b>

During the period ended March 31, 2023, the Company recorded a provision for doubtful accounts of \$Nil (December 31, 2021 - \$2,864,023). The Company recognized bad debt expense of \$596 (December 31, 2021 - \$Nil)

The Company applies a direct customer analysis approach to measure expected credit losses. The Company assesses the collectability of receivables of each debtor on an individual basis using quantitative and qualitative information available to management. The historical loss rates are adjusted to reflect the current and forward-looking information on economic factors affecting the ability of the debtors that make regular monthly payments on the receivables. Trade receivables are written off when there is no reasonable expectation of recovery.

At March 31, 2023, the Company had a total of \$23,544 in advances receivable from affiliated entities (December 31, 2021 - \$29,422). The advances are due on demand and do not accumulate interest.

During the twelve months ended December 31, 2019, the Company used EPG Energy Corporation, a British Columbia company ("EPG")'s power generator in its cultivation operations resulting in \$540,768 in advances being recovered. On May 31, 2020, the Company and EPG finalized a promissory note for US\$735,825 that bears interest at 8% per annum and is secured with the shares of EPG with a maturity date of December 31, 2026. The total balance outstanding including accrued interest is \$906,617. The amount continues to be impaired until such time that EPG completes additional financing and is able to repay the cost of the power generator. As at March 31, 2023 and December 31, 2021, there have been no changes to the status of EPG and the amounts remain impaired.

During the twelve months ended December 31, 2021, the Company paid \$32,841 for expenses related to EPG operations. In accordance with the assessment of the promissory above, the Company recognized an impairment on amounts receivable of \$32,841. The Company recognized a recovery of \$83,244 related to government input tax credits received during the year that were previously written-off.

**10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>March 31, 2023</b>	<b>December 31, 2021</b>
Accounts payable	\$ 672,069	\$ 2,297,710
Accrued liabilities	337,864	219,230
Contingent liability (Note 18)	-	437,000
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 1,009,933</b>	<b>\$ 2,953,940</b>

**11. CONVERTIBLE DEBENTURE**

On March 16, 2020, the Company entered into an agreement with CGOC for convertible debt facility (the "Debt Facility"). As consideration for the Debt Facility, the Company issued to CGOC a convertible debenture in the principal amount of up to \$1,500,000 (the "CGOC Debenture") and 93,750 share purchase warrants (the "CGOC Warrants"). The aggregate principal amount available under the Debenture may be advanced by CGOC to the Company in three equal installments of \$500,000 each. As at December 31, 2020, the Company had received a total advance of \$450,000. Since the Company did not receive the full amount of the \$500,000 the CGOC Warrants never vested, therefore no value was assigned.



**CORE ONE LABS INC.****Notes to the Consolidated Financial Statements**

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

**11. CONVERTIBLE DEBENTURE (CONTINUED)**

On April 12, 2021, the CGOC debt and interest was settled by the issuance of 78,935 common shares of the Company. As at March 31, 2023, the Company had a balance of \$Nil (December 31, 2021 - \$Nil) related to the debenture.

The Debenture had a maturity date of December 31, 2022, with interest accrued at a rate of 12% per annum. The amounts advanced under the Debenture were unsecured until CGOC had advanced the full \$1,500,000 to the Company, upon which time the amounts owed under the Debenture will be secured by a general security agreement covering all of the Company's personal property. The outstanding principal amount under the Debenture, together with any accrued and unpaid interest thereon may be converted into common shares of the Company at a conversion price of \$6.40 per share.

Since the CGOC Debenture was conditional upon the Company meeting certain requirements, only the first \$450,000 tranche was recorded on the Company's statement of financial position. At the time of recognition, the CGOC Debenture was separated into its liability and equity components by first valuing the liability component. The fair value of the liability component of the first tranche of the CGOC Debenture at the time of issue was determined to be \$375,875, and calculated based on the discounted cash flows for the CGOC Debentures assuming an 20% discount rate, historical rate of interest the Company was able to secure further to debt facilities from non-related parties. The fair value of the equity component (conversion feature) was calculated to be \$74,125 and was determined at the time of issue as the difference between the face value of the CGOC Debenture and the fair value of the liability component.

**12. ADVANCES PAYABLE**

As of March 31, 2023, the Company had a balance of \$108,324 (December 31, 2021 – \$108,528) in advances received from historical management required for working capital. The advances are due on demand and bear no interest.

**13. PROMISSORY NOTES**

During the fifteen months ended March 31, 2023, the Company entered into two promissory note agreements. The first promissory note agreement is for principal of \$250,000 and is due on demand and non-interest bearing. The second promissory note agreement is for the principal of \$100,000 and is due on demand and non-interest bearing. During the fifteen months ended March 31, 2023, the Company issued shares to settle \$100,000 of promissory notes outstanding.

As at March 31, 2023, the Company had \$30,000 received from the Canada Emergency Business Account (“CEBA”) program funded by the Government of Canada. The CEBA loan is non-interest bearing and can be repaid without penalty at any time. The CEBA loan matures on December 31, 2023.

**14. RELATED PARTY TRANSACTIONS**

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

	<b>March 31, 2023</b>	<b>December 31, 2021</b>
Management consulting services	\$ 150,000	\$ 185,000
Consulting services for research and development	\$ 159,375	\$ 103,250
Management salaries	\$ 150,000	\$ 120,000
Share-based compensation	\$ 324,331	\$ 1,772,196
	<b>\$ 783,706</b>	<b>\$ 2,180,446</b>

Included in the accounts payable and accrued liabilities is \$25,200 (December 31, 2021 – \$209,077) related to the above compensation incurred with the Company's Chief Executive Officer, Chief Science Officer, and directors of the Company.

**CORE ONE LABS INC.**

**Notes to the Consolidated Financial Statements**

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

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**15. SHARE CAPITAL AND RESERVES**

**A. Common Shares**

Authorized: Unlimited number of common voting shares without nominal or par value.

On July 7, 2020, the Company consolidated its share capital on the basis of two (2) existing common shares for one (1) new common share. On July 15, 2021, the Company consolidated its share capital on the basis of eight (8) existing common shares for one (1) new common share. All shares, options, warrants, and per share amounts were adjusted to reflect the consolidation ratio.

**B. Issued Share Capital**

During the fifteen months ended March 31, 2023:

On February 7, 2023, pursuant to the terms of a debt settlement agreement, the Company issued 46,154 common shares to settle debt of \$30,000.

On January 13, 2023, the Company completed the acquisition of all issued and outstanding share capital of GMP Drug Inc. ("GMP"). The acquisition was completed pursuant to the share purchase agreement dated January 12, 2023. In consideration for all of the shares of GMP, the Company issued 4,117,647 common shares. The shareholders of GMP are entitled to receive a bonus of 1,029,412 common shares of the Company upon successful completion of a trial production run of a psychedelic compound at the facility. The Company also issued 82,353 common shares as administration fees related to the transaction.

On December 13, 2022, the Company issued 625,000 common shares to the shareholders of Vocan with a fair value of \$568,750, which has been recognized as transaction costs. See Note 5.

On November 9, 2022, pursuant to the terms of a debt settlement agreement, the Company issued 7,721 common shares to settle debt of \$5,250.

On September 15, 2022, pursuant to the terms of debt settlement agreements, the Company issued 1,690,127 common shares to settle debt of \$861,965.

On February 10, 2022, the Company issued 7,030,000 common shares to the shareholders of Awakened valued at \$7,733,000. The Company also issued 140,600 common shares valued at \$154,660 as administration fees. See Note 5.

During the fifteen months ended March 31, 2023, the Company issued 5,619,000 common shares pursuant to the vesting of the RSUs with a fair value of \$3,433,966.

During the fifteen months ended March 31, 2023, the Company issued 2,303,120 common shares pursuant to the exercise of warrants for proceeds of \$932,761. The fair value of warrants of \$4,492,196 was transferred from contributed surplus to share capital on the warrants exercised. The weighted average stock price on the date of exercise is equal to \$0.75.

During the fifteen months ended March 31, 2023, the Company issued 1,638,000 common shares pursuant to the exercise of stock options for proceeds of \$1,326,780. The fair value of warrants of \$848,165 was transferred from contributed surplus to share capital on the warrants exercised. The weighted average stock price on the date of exercise is equal to \$0.97.

**CORE ONE LABS INC.**

**Notes to the Consolidated Financial Statements**

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

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**15. SHARE CAPITAL AND RESERVES (CONTINUED)**

**B. Issued Share Capital (continued)**

During the twelve months ended December 31, 2021 (continued):

On December 23, 2021, the Company issued 5,700,000 common shares to the shareholders of New Path valued at \$3,035,250. The Company also issued 114,000 common shares valued at \$68,400 as administration fees. See Note 5.

On October 20, 2021, pursuant to the terms of a debt settlement agreement, the Company issued 111,112 common shares to settle debt of \$190,000.

On September 7, 2021, pursuant to the terms of a debt settlement agreement, the Company issued 27,778 common shares to settle debt of \$100,000.

On August 17, 2021, the Company issued 666,667 common shares to the shareholders of Frontier valued at \$2,940,000. The Company also issued 17,964 common shares valued at \$80,119 as administration fees. See Note 5.

On August 10, 2021, pursuant to the terms of a debt settlement agreement, the Company issued 50,000 common shares pursuant to a fulfilment clause in the debt settlement agreement valued at \$295,000 and recognized as consulting fees.

On May 5, 2021, the Company issued 437,500 common shares to the shareholders of Akome valued at \$2,940,000 less a restricted stock discount of \$661,500. The Company also issued 46,250 common shares valued at \$310,800 as finders' fees and administration fees. See Note 5.

On April 30, 2021, pursuant to the terms of a debt settlement agreement, the Company issued 151,825 common shares to settle debt of \$1,136,000.

On April 15, 2021, the Company issued 78,935 common shares to COGC to settle the outstanding and principal and interest of the convertible debt of \$450,979.

On March 29, 2021, the Company issued 26,250 common shares to the members of KICT valued at \$220,500 less a restricted stock discount of \$44,100. The Company also issued 3,150 common shares valued at \$26,460 as finders' fees and administration fees. See Note 5.

On March 11, 2021, the Company issued 1,143,750 common shares to the shareholders of BlueJay valued at \$9,607,500 less a restricted stock discount of \$233,888. The Company also issued 25,000 common shares valued at \$210,000 as administration fees. See Note 5.

On January 21, 2021, pursuant to the terms of a debt settlement agreement, the Company issued 73,512 common shares to settle debt of \$499,250.

During the twelve months ended December 31, 2021, the Company returned 345,723 common shares to the treasury. The Company issued 56,938 common shares pursuant to the exercise of stock options for proceeds of \$273,188. The fair value of stock options of \$210,872 was transferred from contributed surplus to share capital on the options exercised. The weighted average stock price on the date of exercise is equal to \$6.10.

During the twelve months ended December 31, 2021, the Company issued 1,203,885 common shares pursuant to the exercise of warrants for proceeds of \$3,282,504. The fair value of warrants of \$5,382,775 was transferred from contributed surplus to share capital. The weighted average stock price on the date of exercise is \$7.23.

During the twelve months ended December 31, 2021, the Company issued 20,430 common shares pursuant to the exercise of agent warrants for proceeds of \$114,406. The fair value of agent warrants of \$52,253 was transferred from contributed surplus to share capital. The weighted average stock price on the date of exercise is \$8.44.

**CORE ONE LABS INC.****Notes to the Consolidated Financial Statements**

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

**15. SHARE CAPITAL AND RESERVES (CONTINUED)****C. Stock Options**

The Company maintains a rolling stock option plan (the “Plan”) pursuant to which options may be granted to directors, officers, employees, and consultants of the Company. Under the terms of the Plan, the Company can issue a maximum of 10% of the issued and outstanding common shares at the time of the grant, with the exercise price of each option being equal to or above the market price of the common shares on the grant date. Options granted under the Plan, including vesting and the term, are determined by, and at the discretion of, the Board of Directors. Stock option transactions and the number of stock options outstanding are summarized as follows:

	March 31, 2023		December 31, 2021	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning	1,364,312	\$6.24	450,000	\$4.24
Granted	5,872,750	\$0.92	1,102,500	\$6.59
Exercised	1,638,000	\$0.81	(56,938)	\$4.80
Expired	(68,750)	\$4.18	-	-
Cancelled	(2,211,625)	\$3.46	(131,250)	\$2.91
Options outstanding, ending	3,318,687	\$1.83	1,364,312	\$6.24

The following stock options were outstanding and exercisable at March 31, 2023:

Expiry Date	Weighted Average Remaining		Outstanding	Exercisable
	Contractual Life in Years	Exercise Price		
January 15, 2024	0.79	\$ 8.40	378,125	378,125
May 21, 2024	1.14	\$ 6.24	25,000	25,000
January 18, 2025	1.81	\$ 1.50	211,000	211,000
February 16, 2025	1.88	\$ 1.07	100,000	100,000
April 29, 2025	2.08	\$ 0.81	75,000	75,000
July 8, 2025	2.27	\$ 5.36	154,562	154,562
October 7, 2025	2.52	\$ 0.71	620,000	620,000
November 10, 2025	2.62	\$ 0.57	1,755,000	1,755,000
	2.28		3,318,687	3,318,687

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. During the fifteen months ended March 31, 2023, 5,872,750 (twelve months ended December 31, 2021 – 1,102,500) stock options were issued with a fair value of \$3,350,000 (twelve months ended December 31, 2021 – \$5,644,075). On October 7, 2022, the Company cancelled 295,000 stock options and issued 620,000 stock options with an exercise price of \$0.71 and an expiry date of October 7, 2025.

**CORE ONE LABS INC.****Notes to the Consolidated Financial Statements**

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

**15. SHARE CAPITAL AND RESERVES (CONTINUED)****C. Stock Options (Continued)**

The fair value of stock options issued was calculated using the following weighted average assumptions:

	<b>Fifteen months ended March 31, 2023</b>	<b>Twelve months ended December 31, 2021</b>
Expected life (years)	3	3
Risk-free interest rate	2.75%	0.38%
Annualized volatility*	100%	136.23%
Dividend yield	0.00%	0.00%
Stock price at issue date	\$0.91	\$7.89
Exercise price	\$0.92	\$7.89
Weighted average issue date fair value	\$0.57	\$0.75

\*The share price volatility was determined based on the Company's historical volatility in share price.

**D. Warrants**

Warrant transactions and the number of warrants outstanding are summarized as follows:

	<b>March 31, 2023</b>		<b>December 31, 2021</b>	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning	2,090,576	\$4.96	1,909,541	\$48.00
Adjustment	(9,375)	-	-	-
Issued	1,458,200	\$0.36	1,384,920	\$4.96
Exercised	(2,303,120)	\$0.40	(1,203,885)	\$48.00
Expired	(1,236,281)	\$5.16	-	-
Warrants outstanding, ending	-	\$ -	2,090,576	\$4.96

The Company applies the residual value method for warrants issued in a unit; however, the Company applies fair value method using the Black-Scholes option pricing model in accounting for its warrants granted independently. During the fifteen months ended March 31, 2023, 1,458,200 (twelve months ended December 31, 2021 – 1,384,920) warrants were issued with a fair value of \$985,145 (twelve months ended December 31, 2021 – \$7,888,814).

On August 10, 2022, the Company revised the exercise price of 1,458,200 warrants issued on February 10, 2022 from \$1.15 to \$0.36 per share. On August 22, 2022, the Company revised the exercise price of 634,920 warrants issued on August 17, 2021 from \$6.50 to \$0.51 per share.

The fair value of warrants issued was calculated using the following weighted average assumptions:

	<b>Fifteen months ended March 31, 2023</b>	<b>Twelve months ended December 31, 2021</b>
Expected life (years)	3	2
Risk-free interest rate	1.60%	0.34%
Annualized volatility*	100%	121.60%
Dividend yield	0.00%	0.00%
Stock price at issue date	\$1.10	\$6.59
Exercise price	\$1.15	\$3.20
Weighted average issue date fair value	\$0.68	\$5.66

\*The share price volatility was determined based on the Company's historical volatility and comparable entities' historical volatility in share price.

**CORE ONE LABS INC.****Notes to the Consolidated Financial Statements**

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

**15. SHARE CAPITAL AND RESERVES (CONTINUED)****E. Agent Warrants**

Agent warrant transactions and the number of warrants outstanding are summarized as follows:

	March 31, 2023		December 31, 2021	
	Number of Agent Warrants	Weighted Average Exercise Price	Number of Agent Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning	33,931	\$5.60	54,361	\$5.60
Issued	-	-	-	-
Exercised	-	-	(20,430)	\$5.60
Expired	(33,931)	\$5.60	-	-
Warrants outstanding, ending	-	\$ -	33,931	\$5.60

There were nil agent warrants outstanding and exercisable at March 31, 2023.

**F. Restricted Share Units**

On January 5, 2022, the Company granted 2,144,000 restricted share units (“RSUs”) to consultants, directors, officers, and employees of the Company that will become fully vested four months from the date of grant, July 5, 2022. As at March 31, 2023, the Company recorded share-based compensation of \$1,869,203 related to the vesting of the restricted stock units.

On November 9, 2022, the Company issued 3,515,000 RSUs to consultants, directors, officers, and employees of the Company that will become fully vested four months from the date of grant, March 9, 2023. As at March 31, 2023, the Company recorded share-based compensation of \$1,564,763 related to the vesting of the restricted stock units.

During the fifteen months ended March 31, 2023, the Company issued 5,619,000 common shares pursuant to the vesting of the RSUs. The Company transferred the fair value of RSUs of \$3,433,966 from contributed surplus to share capital. The remaining balance of 40,000 RSUs related to grant of 2,144,000 RSUs were cancelled.

**16. CAPITAL MANAGEMENT**

The Company manages its capital structure and adjusts it based on the funds available to the Company, in order to support its operations and business development. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain development of the business.

The Company only recently started generating revenue and cash flows used in its operations are still negative; as such, the Company is dependent on external financing to fund its future intended business plan. The capital structure of the Company currently consists of common shares. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There was no change to the Company's management of capital during the period ended March 31, 2023.

The Company is not subject to any externally imposed capital requirements.

**CORE ONE LABS INC.****Notes to the Consolidated Financial Statements**

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

**17. FINANCIAL INSTRUMENTS AND RISKS**

The Company uses the following hierarchy for determining and disclosing fair value of financial instruments:

Level 1 — quoted prices in active markets for identical assets and liabilities.

Level 2 — observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 — unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The Company has classified its cash and cash equivalents and investments as measured at fair value in the statement of financial position, using level 1 inputs. Amounts and advances receivable, accounts payable and accrued liabilities, amounts due to related parties, advances payable, and convertible debenture approximate fair value due to the short-term nature of these instruments. The carrying values of financial liabilities where interest is charged based on a variable rate approximates fair value as it bears interest at floating rates and the applicable margin is indicative of the Company's current credit premium. The carrying value of long-term debt and lease obligations where interest is charged at a fixed rate is not significantly different than fair value.

**Risk management**

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk, and foreign currency risk. Management, the Board of Directors, and the Audit Committee monitor risk management activities and review the adequacy of such activities.

*Credit risk:*

Credit risk is the risk of potential loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at March 31, 2023 is the carrying amount of cash, investments, amounts and advances receivable.

The risk for cash is mitigated by holding these instruments with highly rated financial institutions in Canada and USA. Some concentrations of credit risk with respect to amounts receivable exist due to the small number of customers. Amounts receivable are shown net of any provision made for impairment of the receivables. Due to this factor, the management of the Company believes that no additional credit risk, beyond amounts provided for collection losses, is inherent in amounts receivable.

Expected credit loss ("ECL") analysis is performed at each reporting date using an objective approach to measure expected credit losses on its accounts receivable. The provision amounts are based on direct management interactions with the customer. The calculations reflect the probability-weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions, and forecast of future economic conditions. Accounts receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, but are not limited to, business failure, failure of a debtor to engage in a repayment plan, and a failure to make contractual payments.

The Company's aging of trade receivables was as follows:

	<b>March 31, 2023</b>	<b>December 31, 2021</b>
0 – 30 days	\$ 25,281	\$ 21,057
31 – 60 days	331	236
61 – 90 days	313	114
91+ days	669	24,790
<b>Total trade receivables</b>	<b>\$ 26,594</b>	<b>\$ 46,197</b>

**CORE ONE LABS INC.****Notes to the Consolidated Financial Statements**

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

**17. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)***Market risk:*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

*i. Interest rate risk:*

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest-bearing assets in relation to cash at banks. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instruments to hedge potential fluctuations in interest rates. The exposure to interest rate risk for the Company is considered minimal.

The Company considers its interest rate risk policies to be effective and has been following them consistently.

*ii. Currency risk:*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company exposure to foreign currency risk on fluctuations are nominal. Therefore, the Company's exposure to currency risk is minimal.

*iii. Equity price risk:*

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks. At March 31, 2023, the Company held no (December 31, 2021 – no) common shares listed on equity exchanges; therefore, management determined that equity price risk was not material to the Company's operations.

*Liquidity risk:*

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. As at March 31, 2023, the Company had cash of \$626,475 to settle current financial liabilities of \$1,398,257. In order to meet its current liabilities, the Company will need to raise/borrow funds from either loans or private placements. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. With increased growth, manufacturing and distribution operations, the likelihood of the Company generating positive cash flows is probable; however, given the industry and the global economy, remain uncertain. Likewise, the Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The Company's financial liabilities are comprised of its accounts payable and accrued liabilities, amounts due to related parties, advances payable and note payable. The following is an analysis of the contractual maturities of the Company's financial liabilities as at March 31, 2023:

	<b>Within 12 months</b>	<b>After 12 months</b>
Accounts payables and accrued liabilities	\$ 1,009,933	\$ -
Amounts due to related parties	-	-
Advances payable	108,324	-
Note payable	280,000	-
<b>Total</b>	<b>\$ 1,398,257</b>	<b>\$ -</b>



**CORE ONE LABS INC.****Notes to the Consolidated Financial Statements**

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

**18. CONTINGENT LIABILITY**

On February 4, 2021 Desert Sand Properties, LLC (“Desert Sand” or “Plaintiff”) filed a claim in the Superior Court of California against its former wholly-owned subsidiaries LDS Development Corporation (“LDS”) and CSPA Group, Inc. (“CSPA”) and the Company collectively (“the Defendants”). The claim relates to landlord -tenant dispute, whereby the tenant LDS, failed to make certain rent and property tax payments under the terms of the lease agreement that was entered into on April 15, 2019.

The Plaintiff further alleges that CSPA and the Company each of whom signed a guaranty of lease are responsible for LDS unpaid debts and obligations under the terms of the lease. The total amount of the claim is for approximately US\$863,000. The amount of the debt was recorded in accounts payable in LDS. As a result of the disposition of LDS and CSPA, at December 31, 2020, the Company being a guarantor of the lease agreement, along with CSPA may be liable for the full amount of the claim. Accordingly, the Company determined that it was probable that it will have to make a payment to settle this obligation. The Company’s best estimate is \$537,000 (US\$422,000) which is included in accounts payable and accrued liabilities.

On January 26, 2022, the Company executed an agreement to settle the amounts owing for aggregate payments of \$443,730 (US \$350,000). Of the payments, US \$50,000 is to be paid upon execution of the agreement and four instalments of US \$75,000 are to be paid every two months thereafter beginning April 1, 2022. Accordingly, the Company recognized a gain on the provision for loss on the legal settlement in the amount of \$93,270 in the statements of comprehensive loss for the twelve months ended December 31, 2021. Up to the date of these consolidated financial statements, the Company has rendered payment of US \$200,000 upon execution of the contract and two out of four instalment payments.

The Company has included the remaining balance of amounts owing to Desert Sand in accounts payable and accrued liabilities.

**19. SUPPLEMENTAL CASH FLOW DISCLOSURE**

	<b>For the fifteen months ended March 31, 2023</b>	<b>For the twelve months ended December 31, 2021</b>
	<b>\$</b>	<b>\$</b>
Non-cash financing and investing activities:		
Fair value of common shares issued for acquisitions	12,100,895	24,982,267
Fair value of warrants issued for acquisitions	-	1,824,173
Fair value of common shares issued to settle debt	979,027	2,851,065
Fair value transferred on exercise of stock options	848,165	210,872
Fair value transferred on exercise of warrants	4,492,196	5,382,775
Fair value transferred on exercise of brokers’ warrants	-	52,253
Fair value of stock options issued and vested	3,350,000	5,685,860
Fair value of RSUs issued and vested	3,433,966	-
Fair value of stock options exercised per debt settlement	-	85,500

**CORE ONE LABS INC.****Notes to the Consolidated Financial Statements**

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

**20. DISCONTINUED OPERATIONS**

In the fourth quarter of 2020, management entered into an agreement to sell its US operations located in Adelanto, California which consisted of the following subsidiaries: LDS Agrotech Inc; LDS Scientific Inc; Rêveur Holdings Inc; LDS Development Corporation; CSPA Group, Inc; Core Isogenics Inc and Agrotech LLC. The sale was completed on December 31, 2020.

The US operations were sold for \$3,000,000 plus the assumption of liabilities. In consideration the purchaser will complete a series of cash payments in installments of \$500,000 on closing date (received); \$500,000 on or before May 1, 2021 (\$300,000 received); \$1,000,000 on or before September 1, 2021 and the remaining \$1,000,000 on or before January 1, 2022. As a result of the timing of the payments the Company discounted the cash to \$2,909,091 using a discounting factor of 10%. In connection with the completion of the sale, the Company agreed to pay \$450,000 in fees to third parties who assisted with facilitating the sale and have been recorded as finders fee in the consolidated statement of comprehensive loss.

The sale of the US operations segment meets the criteria of a discontinued operation under IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. The operating segment were not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statements of operations and comprehensive loss has been restated to show the discontinued operation separately from continuing operations.

During the twelve months ended December 31, 2021, the Company recorded an impairment on the amounts receivable from the sale of the Adelanto assets in the amount of \$1,924,565. The amount will continue to be impaired until such time that Optimus Logistics completes additional financing and is able to continue payments for the consideration of the Adelanto assets.

**21. DEFERRED INCOME TAXES**

A reconciliation of income taxes at statutory rate is as follows:

	<b>Fifteen months ended March 31, 2023</b>	<b>Years ended December 31, 2021</b>
Net loss before tax	\$(19,977,274)	\$ (37,054,907)
Statutory income tax rate	27%	27%
Expected income tax recovery	(5,393,864)	(10,004,825)
Non-deductible expenditures and non-taxable revenues	4,607,351	8,193,865
Foreign exchange	-	(20,000)
Share issuance costs	-	(63,411)
Permanent differences	-	-
Adjustment to prior year provision versus statutory tax returns	-	-
Change in unrecognized deductible temporary differences	786,513	1,894,371
Income tax recovery	\$ -	\$ -

**CORE ONE LABS INC.****Notes to the Consolidated Financial Statements**

For the fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

**21. DEFERRED INCOME TAXES (continued)**

The significant components of deferred tax assets that have not been included in the statements of financial position are as follows:

	Fifteen months ended March 31, 2023	Year ended December 31, 2021
Deferred tax assets:		
Intangible assets	\$ 3,054	\$ 3,054
Share issuance costs	30,743	30,743
Property and equipment	134,234	125,149
Non-capital losses available for future period (USA)	827,748	827,748
Non-capital losses available for future period (Canada)	8,929,149	8,145,721
	9,918,928	9,132,415
Unrecognized deferred tax assets	(9,918,928)	(9,132,415)
	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	Fifteen months ended March 31, 2023	Expiry Date Range	Year ended December 31, 2021	Expiry Date Range
Temporary differences:				
Property and equipment	\$ 497,163	No expiry date	\$ 463,516	No expiry date
Intangible assets	\$ 4,184	No expiry date	\$ 4,184	No expiry date
Share issuance costs	\$ 113,863	2020 to 2023	\$ 113,863	2020 to 2023
Non-capital losses available for future period (USA)	\$ 2,956,465	2034 to 2042	\$ 2,956,465	2034 to 2041
Non-capital losses available for future period (Canada)	\$ 33,048,700	2030 to 2042	\$ 30,169,336	2030 to 2041

**22. COMPARATIVE FIGURES**

The Company changed its year end from December 31, 2022 to March 31, 2023, accordingly, the comparative figures for the statements of loss and comprehensive loss, statements of changes in shareholders' equity, and statements of changes in shareholders equity are for the twelve months ended December 31, 2022.

**23. SUBSEQUENT EVENTS**

On April 3, 2023, pursuant to the terms of a debt settlement agreement, the Company issued 135,570 common shares to settle debt of \$53,550.