

**FORM 51-102F4  
BUSINESS ACQUISITION REPORT**

**ITEM 1            IDENTITY OF COMPANY**

**1.1                Name and Address of Company**

Revive Therapeutics Ltd. (“**Revive**”)  
82 Richmond Street East  
Toronto, Ontario M5C 1P1

**1.1            Executive Officer**

For further information, please contact Michael Frank, Chief Executive Officer at 888.901.0036.

**ITEM 2            DETAILS OF ACQUISITION**

**2.1                Nature of Business Acquired**

On March 5, 2020, Revive acquired all of the issued and outstanding securities of Psilocin Pharma Corp. (“**Psilocin**”) pursuant to the terms of a share exchange agreement between Revive, Psilocin and the shareholders of Psilocin dated March 4, 2020 (the “**Agreement**”).

Psilocin developed patent-pending formulation and production solutions for the active compound Psilocybin. The process encompassed with its intellectual property cover methods of production of Psilocybin-based formulations. Psilocin developed formulations which included the hydroxy line. The line is designed to include PSY-0.1 -Capsules- PSY-0.2 -Sublingual Spray- PSY-0.3 -Gel Cap- PSY-0.4/0.5 -Effervescent Tablets-and PSY-0.6 -Breath Strips. The precisely dosed formulations are designed to work with both natural and synthetically derived Psilocybin which will be targeted for clinical research and subject to U.S. Food and Drug Administration (“**FDA**”) approval in the treatment of depression, anxiety, bi-polar disorder, bulimia and anorexia nervosa, and a number of other diseases. Psilocin’s range of products have been engineered to work synergistically with the body’s own natural pathways of absorption while offering a contemporary approach to consumption.

Psilocin filed key provisional patent applications with the U.S. Patent and Trademark Office that cover methods of production of Psilocybin-based formulations. This includes sublingual sprays, effervescent tablets, hard-shell capsules, sublingual and transmucosal delivery systems (i.e. gum drops, oral strips, dosing pens). Furthermore, Psilocin has a patent pending portfolio that includes Psilocybin extraction and crystallization methodologies. Specifically, the Psilocin patent applications relate to the following:

- Solid Oral Pharmaceutical Compositions, United States Provisional Application Serial No. 62/985,052 - Psilocybin effervescent and psilocybin tablet designed to be placed under the tongue or dissolved in water. Allowing for improved taste and controlled release profiles.
- Pharmaceutical Capsule Compositions, United States Provisional Application Serial No. 62/985,070 - Psilocybin hardshell capsules containing dry, powdered ingredients in 2-piece capsules. Allowing for contemporary consumption familiar to the user (Gelatin and vegetarian enclosure options in addition to unique nutrient delivery combination options).
- Pharmaceutical Gumdrop Compositions, United States Provisional Application Serial No. 62/985,084 - Psilocybin gum drops for improved administration of compounds. Offers unique

delivery methods for fat and water soluble options.

- Thin-Film Pharmaceutical Delivery System and Formulations, United States Provisional Application Serial No. 62/985,098 - Psilocybin oral strips and psilocybin transmucosal delivery system. Proprietary oral fast-dissolving drug delivery system rapidly releases through the buccal pathway.
- Pharmaceutical Formulations and Methods for Sublingual and Buccal Administration, United States Provisional Application Serial No. 62/984,590 - Formulation for spray/pump/dosing pen.
- Methods for the Extraction and Crystallization of Psilocybin, United States Provisional Application Serial No. 62/985,360 - Psilocybin extraction and psilocybin re-crystallization method patent allows for the extraction of Psilocybin from raw form of magic mushrooms or magic truffles. Psilocin's proprietary extraction process allows for the extraction of whole fungi extract with the option to selectively pull out pure Psilocybin Isolate in the downstream process

## **2.2 Acquisition Date**

The acquisition of Psilocin was completed on March 5, 2020 (the "**Acquisition Date**").

## **2.3 Consideration**

Under the terms of the Agreement, Revive issued an aggregate of 55 million shares (the "**Consideration Shares**") in the capital of Revive to the Psilocin shareholders. Pursuant to the Agreement, the Consideration Shares were issued at a deemed price of \$0.05 for an aggregate consideration of \$2.75 million.

## **2.4 Effect on Financial Position**

There are no plans or proposals for any material changes in the respective business affairs of Revive or Psilocin, other than plans to develop the various formulations.

There were no changes to the board of directors or management of Revive upon completion by Revive of its acquisition of Psilocin.

## **2.5 Prior Valuations**

To the knowledge of Revive, there has not been any valuation opinion obtained within the last 12 months by either Revive or Psilocin required by securities legislation or a Canadian exchange or market to support the consideration paid by Revive for the acquisition of Psilocin.

## **2.6 Parties to Transaction**

Neither Psilocin nor any of its shareholders were an informed person (as such term is defined in section 1.1 of National Instrument 51-102 *Continuous Disclosure Obligations*), associate or affiliate of Revive prior to Revive's acquisition of Psilocin.

## **2.7 Date of Report**

February 8, 2021

### **ITEM 3            FINANCIAL STATEMENTS**

The following financial statements of Psilocin form an integral part of this Business Acquisition Report:

- (a)      audited financial statements from date of incorporation (February 10, 2020) to March 5, 2020.

**SCHEDULE A**  
**PSILOCIN AUDITED FINANCIAL STATEMENTS**

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**Psilocin Pharma Corp.**

**Financial Statements**

**Period from February 10, 2020 (Date of Incorporation)  
to March 5, 2020**

**(Expressed in Canadian Dollars)**

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
**Psilocin Pharma Corp.**

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of Psilocin Pharma Corp (the Company), which comprise the statement of financial position as at March 5, 2020, and the statement of comprehensive loss, statement of changes in equity and statement of cash flows for the period from February 10, 2020 (date of incorporation) to March 5, 2020, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 5, 2020, and its financial performance and its cash flows for the period from February 10, 2020 (date of incorporation) to March 5, 2020, in accordance with International Financial Reporting Standards.

#### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibility for the Audit of 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the financial statements, which indicates the Company incurred a comprehensive loss of \$1,461,175 during the period from February 10, 2020 (date of incorporation) to March 5, 2020. 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 of this matter.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity 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 Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit



conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

*Clearhouse LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Mississauga, Ontario  
February 8, 2021

**Psilocin Pharma Corp.**  
**Statements of Financial Position**  
**(Expressed in Canadian dollars)**

**As at**  
**March 5,**  
**2020**

**ASSETS**

**Current assets**

Due from shareholders \$ 100

**Total current assets** 100

**Non-current assets**

Intangible asset (note 4) 5,500,000

**Total non-current assets** 5,500,000

**Total assets** \$ 5,500,100

**LIABILITIES**

**Current liabilities**

Accrued liabilities \$ 5,000

**Total current liabilities** 5,000

**Non-current liabilities**

Deferred income tax liability (note 5) 1,456,175

**Total liabilities** 1,461,175

**SHAREHOLDERS' EQUITY**

Share capital (note 4) 100

Reserve (note 4) 5,500,000

Accumulated deficit (1,461,175)

**Total shareholders' equity** 4,038,925

**Total liabilities and shareholders' equity** \$ 5,500,100

Nature of operations and going concern (note 1)

Approved on behalf of the Board:

" Michael Frank ", Director

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



**Psilocin Pharma Corp.**  
**Statements of Comprehensive Loss**  
**(Expressed in Canadian dollars)**

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	<b>Period from February 10, 2020 (Date of incorporation) to March 5, 2020</b>
<b>Expenses</b>	
Professional fees	\$ 5,000
Loss and comprehensive loss before tax:	5,000
Deferred income tax expense (note 5)	1,456,175
<b>Loss and comprehensive loss for the period</b>	<b>\$ (1,461,175)</b>
<b>Comprehensive loss per share - basic and diluted</b>	<b>\$ (0.15)</b>
<b>Weighted average common shares outstanding - basic and diluted</b>	<b>10,000,000</b>

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

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**Psilocin Pharma Corp.**  
**Statements of Cash Flows**  
**(Expressed in Canadian dollars)**

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	<b>Period from February 10, 2020 (Date of incorporation) to March 5, 2020</b>
<b>Cash flow from operating activities</b>	
Comprehensive loss for the period	\$ (1,461,175)
Adjustments for:	
Deferred income tax expense	1,456,175
Net change in non-cash working capital:	
Accrued liabilities	5,000
<b>Net cash used in operating activities</b>	<b>-</b>
<b>Net change in cash</b>	<b>-</b>
<b>Cash, beginning of period</b>	<b>-</b>
<b>Cash, end of period</b>	<b>\$ -</b>
<b>Supplemental cash flow information</b>	
Non-cash consideration for intangible asset	\$ 5,500,000

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

**Psilocin Pharma Corp.**  
**Statements of Changes in Shareholders' Equity**  
**(Expressed in Canadian dollars)**

	Share capital		Reserve	Accumulated deficit	Total shareholders' equity
	Number of shares	Amount			
<b>Balance, February 10, 2020 (date of incorporation)</b>	<b>10,000,000</b>	<b>\$ 100</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 100</b>
Intangible asset assignment (note 4)	-	-	5,500,000	-	5,500,000
Comprehensive loss for the period	-	-	-	(1,461,175)	(1,461,175)
<b>Balance, March 5, 2020</b>	<b>10,000,000</b>	<b>\$ 100</b>	<b>\$ 5,500,000</b>	<b>\$ (1,461,175)</b>	<b>\$ 4,038,925</b>

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

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# Psilocin Pharma Corp.

## Notes to Financial Statements

For the Period from February 10, 2020 (Date of Incorporation) to March 5, 2020

(Expressed in Canadian dollars)

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### 1. Nature of Operations and Going Concern

Psilocin Pharma Corp.. (the "Company" or "Psilocin") was incorporated under the Business Corporations Act (Ontario) on February 10, 2020. The Company's registered and legal office is located at 82 Richmond Street East, Toronto, Ontario, M5C 1P1.

These financial statements were prepared on a going concern basis of presentation, which assumes that the Company will continue operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business. To date, the Company has not earned revenue and has an accumulated deficit of \$1,461,175 as at March 5, 2020. The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing and or achieve profitable operations in the future. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern. These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. These adjustments could be material. Management is actively pursuing funding options, being financing and alternative funding options, required to meet the Company's requirements on an ongoing basis.

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by Novel Coronavirus ("COVID-19"). The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

### 2. Significant Accounting Policies

#### Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"), effective for the Company's reporting for the period ended March 5, 2020. These financial statements were authorized for issuance by the Director on February 4, 2021.

#### Basis of measurement

These financial statements are stated in Canadian dollars and were prepared on a historical cost basis.

#### Functional and presentation currency

These financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the statements of comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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# Psilocin Pharma Corp.

## Notes to Financial Statements

For the Period from February 10, 2020 (Date of Incorporation) to March 5, 2020

(Expressed in Canadian dollars)

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### 2. Significant Accounting Policies (continued)

#### Intangible assets

Intangible assets, including patents and formulations that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortization is calculated to write off the intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is recognized in profit or loss. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

The Company does not start amortization for intangible assets with patent pending as they are not available for use.

#### Impairment of non-financial assets

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired. Finite life intangible assets not yet available for use are tested annually for impairment.

An asset's 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 for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. An impairment loss is recognized immediately in profit or loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount, but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. An impairment loss is reversed when there has been a change in estimate that is relevant for the determination of the asset's recoverable amount since the last impairment loss was recognized.

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# Psilocin Pharma Corp.

## Notes to Financial Statements

For the Period from February 10, 2020 (Date of Incorporation) to March 5, 2020

(Expressed in Canadian dollars)

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### 2. Significant Accounting Policies (continued)

#### Income taxes

Income tax expense consists of current and deferred tax expenses. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payment to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the assets to be recovered.

#### Significant accounting judgments and estimates

The application of the Company's accounting policies in compliance with IFRS requires the Company's management to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i. Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.
- ii. the recoverability and useful lives of capitalized intangible assets which are included in the statements of financial position. Management's assessment of whether indicators of impairment are present requires judgment based on facts and circumstances at reporting period ends.
- iii. These financial statements have been prepared in accordance with IFRS on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business within the foreseeable future. Management uses judgment in determining assumptions for cash flow projections, such as anticipated financing, anticipated sales and future commitments to assess the Company's ability to continue as a going concern. A critical judgment is that the Company continues to raise funds going forward and satisfy their obligations as they become due.

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# Psilocin Pharma Corp.

## Notes to Financial Statements

For the Period from February 10, 2020 (Date of Incorporation) to March 5, 2020

(Expressed in Canadian dollars)

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### 2. Significant Accounting Policies (continued)

iv. The Company measures equity-settled share-based payment transactions based on an estimate of the fair value of goods or services received, unless that fair value cannot be estimated reliably, in which case the Company measures the fair value of the goods or services received based on the fair value of the equity instruments granted.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

### 3. Capital Management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis. The Company considers its capital to be equity comprising share capital and accumulated deficit which at March 5, 2020 totalled \$4,038,925. The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Selected information is provided to the Board of Directors of the Corporation. The Company's capital management objectives, policies and processes have remained unchanged during the period ended March 5, 2020. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body,

### 4. Share Capital

#### a) Authorized share capital

The authorized share capital consists of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

# Psilocin Pharma Corp.

## Notes to Financial Statements

For the Period from February 10, 2020 (Date of Incorporation) to March 5, 2020

(Expressed in Canadian dollars)

### 4. Share Capital (continued)

#### b) Common shares issued

As at March 5, 2020, the issued share capital amounted to \$100 and there were nil shares held in escrow. Changes in issued share capital are as follows:

	Number of Common Shares	Amount
<b>Balance, February 10, 2020 (Date of Incorporation)</b>	<b>10,000,000</b>	<b>\$ 100</b>
<b>Balance, March 5, 2020</b>	<b>10,000,000</b>	<b>\$ 100</b>

On February 10, 2020, the Company issued 10,000,000 common shares to various shareholders. As a condition of issuing the shares, a shareholder was required to transfer patent-pending formulation and production solutions for the active compound Psilocybin. The process encompassed with its intellectual property cover methods of production of Psilocybin-based formulations. Psilocin has developed formulations to date which include the Hydroxy Line. The line will include PSY-0.1 -Capsules, PSY-0.2 -Sublingual Spray, PSY-0.3 -Gel Cap, PSY-0.4/0.5 -Effervescent Tablets, and PSY-0.6 -Breath Strips. The precisely dosed formulations will work with both natural and synthetically derived Psilocybin which will be targeted for clinical research and subject to U.S. Food and Drug Administration ("FDA") approval in the treatment of depression, anxiety, bi-polar disorder, bulimia and anorexia nervosa, and a number of other diseases. Psilocin's range of products have been engineered to work synergistically with the body's own natural pathways of absorption while offering a contemporary approach to consumption. Psilocin has filed key provisional patent applications with the U.S. Patent and Trademark Office that cover methods of production of Psilocybin-based formulations. Furthermore, Psilocin has a patent-pending portfolio that includes Psilocybin extraction and crystallization methodologies.

On March 4, 2020, the intellectual property was transferred to the Company and was assigned a fair market value of \$5,500,000.

### 5. Income Taxes

#### Reconciliation of statutory tax rate

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% to the effective tax rate is as follows:

	Period from February 10, 2020 (Date of incorporation) to March 5, 2020
Loss before recovery of income taxes	\$ (5,000)
Combined statutory income tax rate	26.5%
Expected income tax recovery	(1,325)
Intangible asset recorded directly to equity	1,457,500
Deferred income tax expense	\$ 1,456,175



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**Psilocin Pharma Corp.****Notes to Financial Statements****For the Period from February 10, 2020 (Date of Incorporation) to March 5, 2020****(Expressed in Canadian dollars)**

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**5. Income Taxes (continued)****Deferred income taxes**

The temporary differences and unused tax losses that give rise to deferred income tax assets and liabilities are presented below:

	<b>As at March 5, 2020</b>
Non-capital losses carried forward	\$ 1,325
Intangible asset	(1,457,500)
<b>Net deferred tax liability</b>	<b>\$ (1,456,175)</b>

The Company's Canadian non-capital income tax losses expire in 2040.