

**MYDECINE INNOVATIONS GROUP INC.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 2022 AND MARCH 31, 2021**  
**Unaudited**  
(Expressed in Canadian dollars)

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

<b>As at,</b>	<b>Note</b>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
		<b>\$</b>	<b>(audited)</b>
			<b>\$</b>
<b>Current assets</b>			
Cash		264,679	1,495,311
Accounts receivable		-	3,856
Sales tax receivable		286,266	201,060
Prepays and deposits	4	2,693,929	3,521,125
<b>Total current assets</b>		<b>3,244,874</b>	<b>5,221,352</b>
<b>Non-current assets</b>			
Prepays and deposits	4	1,458,260	1,793,894
Right-of-use asset	8	107,865	130,546
Property and equipment	5	396,732	434,910
<b>Total assets</b>		<b>5,207,731</b>	<b>7,580,702</b>
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		3,348,119	1,587,238
Notes payable, current	7	163,600	-
Derivative liabilities	9	711,420	1,280,294
Lease liability – current portion	8	83,068	79,728
<b>Total current liabilities</b>		<b>4,306,207</b>	<b>2,947,260</b>
<b>Non-current liabilities</b>			
Convertible debentures, net	6	4,570,563	4,354,302
Long-term portion of lease liability	8	39,416	67,821
<b>Total liabilities</b>		<b>8,916,186</b>	<b>7,369,383</b>
<b>Shareholders' equity</b>			
Share capital	10	109,674,735	107,662,388
Contributed surplus	10	16,994,080	17,288,315
Equity portion of convertible debentures	10	175,756	175,756
Accumulated other comprehensive loss		-	-
Deficit		(130,553,026)	(124,915,140)
<b>Total shareholders' equity</b>		<b>(3,708,455)</b>	<b>211,319</b>
<b>Total liabilities and shareholders' equity</b>		<b>5,207,731</b>	<b>7,580,702</b>

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

**Subsequent events** (Note 14)

**Commitments** (Note 13)

Approved on behalf of the Board on May 15, 2022

"David Joshua Bartch"

Director – David Joshua Bartch

"Larry Dean Ditto"

Chief Financial Officer-Larry Dean Ditto

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

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

	Note	For the three-months ended,	
		March 31, 2022	March 31, 2021
Sales		\$ -	\$ -
Cost of goods sold		-	-
<b>Gross margin</b>		-	-
<b>Expenses</b>			
Finance cost	6,7,8	221,199	95,737
Corporate development		127,880	1,997,935
Depreciation	5,8	60,672	41,532
Consulting fees		1,423,873	1,023,655
Director and management fees	12	110,572	490,876
Foreign exchange loss		28,188	222,375
Insurance		259,345	-
Office and miscellaneous		119,736	83,464
Professional fees		607,154	653,055
Regulatory and filing fees		98,246	165,636
Research and development		1,049,525	230,210
Salaries	12	638,046	-
<b>Total expenses</b>		<b>4,744,436</b>	<b>5,004,475</b>
<b>Other income (expenses)</b>			
Change in fair value of derivative liabilities	9	(893,450)	(27,656)
Gain (loss) on settlement of debt		-	(2,319)
<b>Total other income (expenses)</b>		<b>(893,450)</b>	<b>(29,975)</b>
<b>Loss from continuing operations</b>		<b>(5,637,886)</b>	<b>(5,034,450)</b>
<b>Loss from discontinued operations</b>	<b>1</b>	<b>-</b>	<b>(122,073)</b>
<b>Net loss for the period</b>		<b>\$ (5,637,886)</b>	<b>\$ (5,156,523)</b>
Foreign currency translation adjustment		-	(23,798)
<b>Net loss and comprehensive loss for the period</b>		<b>\$ (5,637,886)</b>	<b>\$ (5,180,321)</b>
<b>Net loss per share – Basic and diluted from continuing operations</b>		<b>\$ (1.20)</b>	<b>\$ (1.26)</b>
<b>Weighted average number of shares outstanding – Basic and diluted</b>		<b>4,708,788</b>	<b>4,127,366</b>

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

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

	Note	Number of Shares	Share Capital	Contributed Surplus	Equity Component of Convertible Debentures	Accumulated Other Comprehensive Loss	Deficit	Shareholders' Equity
<b>Balance, December 31, 2020</b>		<b>3,534,682</b>	<b>\$ 85,298,435</b>	<b>\$ 12,734,636</b>	<b>\$ 254,690</b>	<b>\$ (444,803)</b>	<b>\$ (94,282,259)</b>	<b>\$ 3,560,699</b>
Bought deal, net of share issuance cost	10	690,000	14,420,197	912,708	-	-	-	15,332,905
Non-cash share issuance cost	10	17,720	(1,189,263)	1,189,263	-	-	-	-
Warrants exercised	10	189,369	3,606,548	(766,020)	-	-	-	2,840,528
Conversion of convertible debentures	10	275,907	2,802,724	-	(219,583)	-	-	2,583,141
Shares issued for debt settlements	10	1,853	45,400	-	-	-	-	45,400
Shares issued for services	10	5,794	104,170	-	-	-	-	104,170
MindLeap Health Inc.'s – anti dilution clause	10	8,812	174,032	-	-	-	-	174,032
Foreign currency translation adjustment		-	-	-	-	(23,798)	-	(23,798)
Net loss from discontinued operations		-	-	-	-	-	(122,073)	(122,073)
Net loss from continued operations		-	-	-	-	-	(5,034,450)	(5,014,555)
<b>Balance March 31, 2021</b>		<b>4,723,667</b>	<b>\$ 105,262,243</b>	<b>\$ 14,070,587</b>	<b>\$ 35,107</b>	<b>\$ (468,601)</b>	<b>\$ (99,438,782)</b>	<b>\$ 19,460,554</b>
<b>Balance, December 31, 2021</b>		<b>5,218,600</b>	<b>\$ 107,662,388</b>	<b>\$ 17,288,315</b>	<b>\$ 175,756</b>	<b>\$ -</b>	<b>\$ (124,915,140)</b>	<b>\$ 211,319</b>
Shares issued for financing	10	70,547	366,667	-	-	-	-	366,667
Share issuance cost	10	-	(110,879)	-	-	-	-	(110,879)
MindLeap Health Inc.'s – anti dilution clause	10	53,175	1,462,324	-	-	-	-	1,462,324
Neuropharm Inc.'s – anti dilution clause	10	10,397	207,939	(207,939)	-	-	-	-
Neuropharm performance warrants exercised	10	17,600	86,296	(86,296)	-	-	-	-
Net loss for the period		-	-	-	-	-	(5,637,886)	(5,637,886)
<b>Balance, March 31, 2022</b>		<b>5,370,319</b>	<b>\$ 109,674,735</b>	<b>\$ 16,994,080</b>	<b>\$ 175,756</b>	<b>\$ -</b>	<b>\$ (130,553,026)</b>	<b>\$ (3,708,455)</b>

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

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

<b>For the three-months ended,</b>	<b>Note</b>	<b>March 31, 2022</b>	<b>March 31, 2021</b>
<b>Cash flows used in</b>			
<b>Operating activities</b>			
Net loss for the period		\$ (5,637,886)	\$ (5,034,450)
Items not affecting cash:			
Depreciation	5,8	60,672	41,532
Amortization of debt issuance costs		3,102	
Finance cost		221,199	95,737
Change in fair value of derivative liability	9	893,450	27,656
Loss (gain) on settlement of debts		-	2,319
Shares issued for services		-	104,170
Changes in operating activities from continued operations		(4,459,463)	(4,763,036)
Changes in operating activities from discontinued operations		-	22,918
<b>Change in operating activities</b>		<b>(4,459,463)</b>	<b>(4,740,118)</b>
<b>Changes in non-cash working capital items:</b>			
Accounts receivable		3,856	-
Prepays and deposits		1,162,830	(3,766,347)
Sales taxes receivable		(85,206)	(3,977)
Accounts payable and accrued liabilities		1,756,438	(211,716)
<b>Cash used in operating activities</b>		<b>(1,621,545)</b>	<b>(8,722,158)</b>
<b>Investing activities</b>			
Purchases of property and equipment		-	(132,874)
Internally generated intangible asset		-	(155,617)
Lease payments	8	(28,475)	(28,486)
<b>Net cash used in investing activities</b>		<b>(28,475)</b>	<b>(316,977)</b>
<b>Financing activities</b>			
Proceeds from bought deal, net of share issuance cost		-	15,332,904
Proceeds from private placement	10	366,667	-
Proceeds from notes payable		163,600	-
Share issuance costs		(110,879)	-
Warrants exercised		-	2,840,528
<b>Net cash provided from financing activities</b>		<b>419,388</b>	<b>18,173,432</b>
Foreign exchange on cash		-	-
<b>Increase in cash during the period</b>		<b>(1,230,632)</b>	<b>9,134,297</b>
<b>Cash, beginning of the period</b>		<b>1,495,311</b>	<b>2,190,702</b>
<b>Cash, end of the period</b>		<b>\$ 264,679</b>	<b>\$ 11,324,999</b>
<b>Supplemental Cash Flow Information</b>			
Interest paid		\$ 4,503	\$ 7,581
Taxes paid		\$ -	\$ -

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**MYDECINE INNOVATIONS GROUP INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021**  
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**EXPRESSED IN CANADIAN DOLLARS**

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**1. NATURE, CONTINUANCE OF OPERATIONS AND GOING CONCERN**

Mydecine Innovations Group Inc. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on September 27, 2013, under the name 0981624 B.C. Ltd. On May 27, 2020 the Company changed its name to Mydecine Innovations Group Inc. The Company’s common shares trade on the NEO exchange (NEO: MYCO), OTC exchange (OTC:MYCOF) and on the Frankfurt stock exchange (FSE:0NFA). The Company’s principal activities are research, drug development, clinical trials of psilocybin products internationally, and a telehealth application through its subsidiary Mindleap Health. The registered address, head office, principal address and records office of the Company are located at Suite 810 - 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

As at March 31, 2022, the Company has an accumulated deficit of \$130,553,026 (December 31, 2021 - \$124,915,140), net loss from continuing operations of \$5,637,886 (March 31, 2021- \$5,034,450) and cash used from operating activities of \$1,621,545 (March 31, 2021- \$8,722,158). The Company’s ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to conduct its planned business, meet its on-going levels of corporate overhead and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. These material uncertainties may cast significant doubt as to the Company’s ability to continue as a going concern.

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

**Spin-out of US cannabis subsidiaries and investments**

On October 1, 2021, the Company completed the spin-out of all its cannabis subsidiaries and investments to ALT House Cannabis Inc. (“ALT House”) pursuant to the amended and restated arrangement agreement (“Arrangement Agreement”) between the Company and ALT House. The purpose of the spin-out into ALT House was, among other things, to remove all of the cannabis assets and liabilities from the Company and permit the Company to comply with listing qualification requirements for senior stock exchanges in the United States and other comparable requirements regarding cannabis assets.

ALT House and the Company do not share a controlling shareholder or shareholder group, as a result this transaction was accounted for in accordance with IFRIC 17 *Distribution of Non-cash Assets to Owners*. The Company recognized the distribution of net assets to the Company’s shareholders at fair value with the difference between that value and the carrying amount of the net assets recorded to the consolidated statements of loss and comprehensive loss. The Company engaged a third- party valuation expert to determine the fair value of all its spun-out cannabis assets. The spin-out transaction impacted the Company’s consolidated financial statements as follows:

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**1. NATURE, CONTINUANCE OF OPERATIONS AND GOING CONCERN (continued)**

	<b>As at October 1, 2021</b>
	<b>\$</b>
<b>Net assets</b>	
Cash	74
Accounts receivable	148,967
Inventory	41,268
Investment in joint venture	172,329
Investment in associate	170,704
Investment properties	1,419,347
Accounts payable and accrued liabilities	(190,000)
<b>Carrying amount prior spin-out</b>	<b>1,762,689</b>
Fair value adjustments (i)	(551,818)
<b>Fair-value of assets disposed at spin-out</b>	<b>1,210,871</b>
Transaction costs	721,977
Contributed surplus adjustment	(197,366)
<b>Net distribution to owners on spin-out</b>	<b>1,735,482</b>

(i) The fair value adjustments of the spin-out included:

	<b>As at October 1, 2021</b>
	<b>\$</b>
<b>Fair-value adjustments:</b>	
Accounts receivable	(148,967)
Inventory	(41,268)
Investment in joint venture	(172,329)
Investment in associate	(170,704)
Fair value change of investment property	(18,550)
<b>Total fair value adjustments</b>	<b>(551,818)</b>

**MYDECINE INNOVATIONS GROUP INC.**  
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**1. NATURE, CONTINUANCE OF OPERATIONS AND GOING CONCERN (continued)**

**Discontinued Operations**

The spin-out of the cannabis assets also meets the definition of a discontinued operation per IFRS 5 *Non-current assets held for sale and discontinued Operations*, below are the results of discontinued operations for the three months ended March 31, 2021:

	<b>Three months ended March 31, 2021 (Unaudited)</b>
	<b>\$</b>
Sales	16,012
Cost of goods sold	(10,128)
Gross margin	<b>5,884</b>
Share of losses from investment in Joint Venture	(2,783)
Share of income (loss) from investment in associate	(157,219)
Other expenses	(1,114)
Total operating expenses	<b>(161,116)</b>
Rental income	33,159
Foreign currency translation	-
Loss on discontinued operations	<b>(122,073)</b>
Net loss per share- Basic and diluted for discontinued operations	<b>(\$0.03)</b>
Weighted average number of shares outstanding – Basic and diluted	<b>4,127,366</b>

Cash flows from discontinued operations:

	<b>Three months ended March 31, 2021 (Unaudited)</b>
	<b>\$</b>
<b>Cash flows used in</b>	
Operating activities	
Net loss for the period from discontinuing operations	(122,073)
Items not affecting cash:	
Share of income from investment in Joint Venture	2,783
Share of income from investment in associate	177,114
Changes in operating activities from operations	<b>57,824</b>
<b>Changes in non-cash working capital items:</b>	
Accounts receivable	(17,065)
Inventory	10,060
Accounts payable and accrued liabilities	(27,901)
<b>Cash used in operating activities</b>	<b>22,918</b>



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**2. BASIS OF PRESENTATION**

**Statement of Compliance**

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

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

These condensed interim consolidated financial statements were approved and authorized for issuance by the Company's Board of Directors on May 16, 2022.

**Basis of Measurement**

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

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

**Functional Currency**

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

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

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

**MYDECINE INNOVATIONS GROUP INC.**  
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**3. SIGNIFICANT ACCOUNTING POLICIES**

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

**4. PREPAIDS AND DEPOSITS**

	March 31, 2022	December 31, 2021
	\$	\$
Research and development	2,280,779	3,107,199
Corporate development	1,249,766	1,635,766
Advisory and public relations services	11,968	25,999
Insurance	412,649	236,934
Deposits	-	107,353
Deferred shares issuance costs	197,031	188,304
Other	-	13,464
<b>Total</b>	<b>4,152,189</b>	<b>5,315,019</b>
<b>Short-term</b>	<b>2,693,929</b>	<b>3,521,125</b>
<b>Long-term</b>	<b>1,458,260</b>	<b>1,793,894</b>

**5. PROPERTY AND EQUIPMENT**

	Leasehold improvements	Equipment	Total
	\$	\$	\$
<b>Cost</b>			
Balance at December 31, 2020	216,584	91,684	308,268
Additions	10,778	280,724	291,502
Foreign exchange	-	(15,596)	(15,596)
Balance at December 31, 2021	227,362	356,812	584,174
Additions	-	-	-
Foreign exchange	-	-	-
<b>Balance at March 31, 2022</b>	<b>227,362</b>	<b>356,812</b>	<b>584,174</b>
<b>Accumulated depreciation</b>			
Balance, December 31, 2020	-	16,654	16,654
Depreciation	92,876	39,734	132,610
Balance, December 31, 2021	92,876	56,388	149,264
Depreciation	14,527	23,651	38,178
<b>Balance, March 31, 2022</b>	<b>107,403</b>	<b>80,039</b>	<b>187,442</b>
<b>Net book values</b>			
December 31, 2021	134,486	300,424	434,910
<b>March 31, 2022</b>	<b>119,959</b>	<b>276,773</b>	<b>396,732</b>

For three months ended March 31, 2022 and 2021, the Company recorded \$38,178 and \$26,253 of depreciation for property and equipment, respectively. As at March 31, 2022 and 2021, the Company did not recognize an impairment of property and equipment.

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**6. CONVERTIBLE DEBENTURES**

The following table reconciles the recorded value of the liability and the equity components of the convertible debentures at March 31, 2022:

	Convertible debenture \$	Warrants issued with debenture – Contributed Surplus \$	Equity component of convertible debenture \$	Total \$
<b>Balance, December 31, 2020</b>	2,959,755	-	254,690	3,214,445
Additions	4,340,640	918,604	240,756	5,500,000
Deferred tax impact	-	(248,000)	(65,000)	(313,000)
Deferred loan costs	(37,743)	-	-	(37,743)
Accretion expense	178,157	-	-	178,157
Conversion of convertible debentures	(3,086,507)	-	(254,690)	(3,341,197)
<b>Balance, December 31, 2021</b>	4,354,302	670,604	175,756	5,200,662
Interest and accretion expense	216,261	-	-	216,261
<b>Balance, March 31, 2022</b>	4,570,563	670,604	175,756	5,416,923

**7. NOTES PAYABLE**

During the three months ended March 31, 2022, the Company entered into two short-term notes payable.

On March 16, 2022, the Company entered into a secured note payable with the CEO of the Company for \$12,816. The security interest in the Company includes certain current assets of the Company. The note payable bear interest of 5% annually and is due one year from issuance on March 15, 2023.

On March 8, 2022, the Company entered into a secured note payable with an arms-length party for \$150,784 which bears a 5% interest rate annually and matures on March 7, 2023. The security interest in the Company includes certain current assets of the Company.

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**8. RIGHT-OF-USE ASSET AND LEASE LIABILITY**

The Company's lease consists of a research and development facility .

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

	Research and development facility \$
<u>Right-of-use assets</u>	
Balance, December 31, 2020	223,645
Depreciation	(85,913)
Foreign exchange	(7,186)
<u>Balance, December 31, 2021</u>	<u>130,546</u>
Depreciation	(22,494)
Foreign exchange	(187)
<u>Balance, March 31, 2022</u>	<u>107,865</u>

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

	Research and development facility \$
<u>Lease liabilities</u>	
Balance, December 31, 2020	236,447
Interest	25,911
Payments	(112,815)
Foreign exchange	(1,994)
<u>Balance, December 31, 2021</u>	<u>147,549</u>
Interest	4,503
Payments	(28,475)
Foreign exchange	(1,093)
<u>Balance, March 31, 2022</u>	<u>122,484</u>
Less: current portion	83,068
Non-current portion	39,416

The undiscounted lease liabilities are as follows:

<b>Period ending March 31</b>	<b>\$</b>
2022	114,102
2023	19,017
<u>Total lease payments</u>	<u>133,119</u>

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**9. DERIVATIVE LIABILITIES**

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

	Mindleap Anti-dilution Securities \$
Balance, December 31, 2020	1,586,744
Issuance of common shares	(262,762)
Change in fair value of derivative liabilities	(43,688)
<b>Balance, December 31, 2021</b>	<b>1,280,294</b>
Issuance of common shares	(1,462,324)
Change in fair value of derivative liabilities	893,450
<b>Balance, March 31, 2022</b>	<b>711,420</b>

The fair value of the derivative liabilities at March 31, 2022 was estimated using the Monte Carlo pricing model and the following assumptions:

- Risk free interest rate: 0.58%
- Volatility: 101.05%
- Market price of common shares: \$0.095

**10. SHARE CAPITAL AND CONTRIBUTED SURPLUS**

(a) Authorized: Unlimited common shares without par value

**Period ended March 31, 2022:**

Issued: common shares 5,370,319 (December 31, 2021: 5,218,600 common shares)

On January 11 and 31, 2022, the Company issued 17,600 common shares upon the exercise of 17,600 Neuropharm performance warrants and reclassified an amount of \$86,296 from contributed surplus to share capital.

On March 16, 2022, the Company issued 53,175 anti-dilution common shares in relation to Mindleap's acquisition with a fair value of \$1,462,324 .

On February 3, 2022, the Company issued 27,997 anti-dilution common shares in relation to Neuropharm's acquisition with a fair value of \$559,938.

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

**Period ended March 31, 2021:**

During the period ended March 31, 2021, the Company issued 189,369 common shares pursuant to warrant exercises for gross proceeds of \$2,840,528.

During the period ended March 31, 2021, the Company issued 1,853 common shares with a fair value of \$45,400 to settle debt of \$43,081 and recorded a loss on settlement of debt of \$2,319.

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**10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**

On March 4, 2021, the Company issued 8,812 anti-dilution common shares in relation to Mindleap's acquisition with a fair value of \$174,032.

During the period ended March 31, 2021, the Company issued 275,907 common shares pursuant to the conversion of convertible debt of \$2,583,141. The Company transferred \$219,583 from equity component of convertible debt to share capital.

During the period ended March 31, 2021, the Company issued 5,794 common shares, pursuant to various employment and consulting agreements, as compensation for services.

On February 8, 2021, the Company completed a bought-deal financing and issued 690,000 Units for gross proceeds of \$17,250,000. The Company incurred cash transaction costs of \$1,917,096 less deferred tax asset of \$313,000. In addition, the Company incurred non-cash transaction costs of \$2,576,710 relating to the issuance of 17,250 Finance Fee Units and 48,300 broker warrants. Each Finance Fee Unit consists of one common share and one share purchase warrant ("Finance Warrant"). Each Finance Warrant is exercisable to acquire one additional common share at any time until February 12, 2024, at an exercise price of \$35.00 per warrant. The fair value of the Finance Unit was measured using the Black-Scholes option pricing model with a fair value of \$288,960 with the following assumptions: stock price - \$29; exercise price - \$35; expected life - 3 years; volatility - 100%; dividend yield - Nil; and risk-free rate - 0.17%. In addition, the Company issued 48,300 Broker Warrants which are exercisable in units of one common share and one warrant ("Broker Warrant"). The fair value of the Broker Warrants was measured at \$2,287,750. The Broker Warrants were measured using the Monte Carlo option model with the following assumptions: stock price - \$26; exercise price - \$35; expected life - 3 years; volatility - 120%; dividend yield - Nil; and risk-free rate - 0.59%.

*Stock Options*

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

During the periods ended March 31, 2022 and 2021, the Company did not grant any stock options.

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**10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**

As at March 31, 2022, the Company had stock-options outstanding and exercisable enabling holders to acquire the following:

Number of Stock-Options	Exercise Price	Expiry Date
9,832	\$23.50	June 21, 2024
4,351	\$4.75	February 21, 2025
4,680	\$3.00	March 20, 2025
5,000	\$25.00	August 5, 2025
60,000	\$12.00	September 16, 2025
160,000	\$10.50	September 24, 2025
20,000	\$13.00	September 30, 2025
263,863	\$11.50	

A summary of the status of the Company's stock options outstanding and exercisable as at March 31, 2022 and December 31, 2021, and changes during those periods is presented below:

	Number of Options Issued and Exercisable	Weighted Average Exercise Price
<b>Balance, December 31, 2020</b>	286,863	\$ 12.00
Cancelled options from spin-out	(265,863)	(12.00)
Reissuance of options from spin-out	265,863	12.00
Expired/cancelled	(23,000)	(15.00)
<b>Balance, December 31, 2021</b>	263,863	\$ 11.50
<b>Balance, March 31, 2022</b>	263,863	\$ 11.50

The stock options have a weighted average remaining life of 3.49 years.

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**10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**

*Warrants*

As at March 31, 2022, the Company had warrants outstanding and exercisable enabling holders to acquire the following:

Number of Warrants Issued	Number of Warrants exercisable	Exercise Price	Expiry Date
81,805	81,805	\$25.00	June 19, 2022
11,200	11,200	\$25.00	June 19, 2022
152,055	152,055	\$15.00	December 4, 2022
43,400	43,400	variable	August 31, 2025
30,770	30,770	15.00	January 26, 2023
5,170	5,170	15.00	February 16, 2023
7,244	7,244	15.00	February 19, 2023
23,907	23,907	15.00	March 8, 2023
3,641	3,641	15.00	March 11, 2023
707,250	707,250	15.00	February 12, 2024
48,300	48,300	15.00	February 12, 2024
5,370	5,370	15.00	July 12, 2023
1,612	1,612	15.00	July 15, 2023
4,305	4,305	15.00	July 20, 2023
11,986	11,986	15.00	September 8, 2023
2,741	2,741	15.00	October 1, 2023
24,701	24,701	15.00	October 7, 2023
647,057	647,057	8.50	December 9, 2024
<b>1,812,514</b>	<b>1,812,514</b>		

A summary of the status of the Company's warrants outstanding and exercisable as at March 31, 2022 and December 31, 2021, and changes during those periods is presented below:

	Number of Warrants Issued	Weighted Average Exercise Price
<b>Balance, December 31, 2020</b>	617,809	11.00
Issued	1,726,031	21.00
Cancelled warrants from spin-out	(1,248,613)	25.50
Reissuance of warrants from spin-out	1,248,613	25.50
Exercised	(406,073)	9.50
Expired	(107,653)	15.00
<b>Balance, December 31, 2021</b>	<b>1,830,114</b>	<b>20.53</b>
Exercised warrants	(17,600)	-
<b>Balance, March 31, 2022</b>	<b>1,812,514</b>	<b>20.53</b>



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**10. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**

*Escrowed Shares*

As at March 31, 2022 and December 31, 2021, there are 1,590,909 and 3,181,818 common shares respectively held in escrow and will be released pursuant to the following schedule, respectively:

4 months from the Mindleap Closing Date	¼ of escrowed securities
12 months from the Mindleap Closing Date	¼ of escrowed securities
18 months from the Mindleap Closing Date	¼ of escrowed securities
24 months from the Mindleap Closing Date	¼ of escrowed securities

**11. FINANCIAL INSTRUMENTS AND RISK FACTORS**

*Fair values*

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The fair value of transactions is classified according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs are other than quoted prices in Level 1 that are either directly or indirectly observable for the asset or liability.
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level.

The following is an analysis of the Company's financial assets and liabilities at fair value as at March 31, 2022 and December 31, 2021.

	<b>As at March 31, 2022</b>			
		Level 1	Level 2	Level 3
Cash	\$	264,679	\$ -	\$ -
<b>Total financial assets</b>		<b>\$ 264,679</b>	<b>\$ -</b>	<b>\$ -</b>
Lease liability (Note 8)	\$	-	\$ 122,484	\$ -
Notes payable (Note 7)		-	163,600	-
Convertible debentures (Note 6)		-	4,570,563	-
Derivative liabilities (Note 9)		-	711,420	-
<b>Total financial liabilities</b>	<b>\$</b>	<b>-</b>	<b>\$ 5,568,067</b>	<b>\$ -</b>

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**11. FINANCIAL INSTRUMENTS AND RISK FACTORS (continued)**

	As at December 31, 2021			
		Level 1	Level 2	Level 3
Cash	\$	1,495,311	\$	-
Account receivable		-	-	3,856
<b>Total financial assets</b>	<b>\$</b>	<b>1,495,311</b>	<b>\$</b>	<b>3,586</b>
Lease liability (Note 8)	\$	-	\$	147,549
Convertible debentures (Note 6)		-	4,354,302	-
Derivative liabilities (Note 9)		-	1,280,294	-
<b>Total financial liabilities</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>5,782,145</b>

For the remaining financial assets and liabilities measured at amortized cost, the carrying values approximate the fair values of the financial instruments given their short-term maturity.

Credit risk

Credit risk is the risk of loss associated with a counter party's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. Cash is held with major financial institutions, from which management believes the risk of loss to be minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company's exposure to liquidity risk is dependent on raising of funds to meet commitments and sustain operations. The Company controls liquidity risk by management of working capital and cash flows. The Company ensures that sufficient funds are raised from private placements or loans to meet its operating requirements, after taking into account existing cash. The Company's cash is held in business accounts which are available on demand for the Company's business and are not invested in any asset-backed deposits or investments. All of the financial liabilities of the Company are due within 12 months of March 31, 2022, to the exception of long-term portion of lease liabilities and convertible debentures. See the five-year commitment and contingency schedule at Note 13.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. If interest rates decrease, the Company will generate smaller interest revenue. The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets. The Company is not susceptible to interest rate fair value risk on its convertible debentures and notes payable that bear fixed interest rates.

Currency risk

The Company is exposed to currency risk related to the fluctuation of foreign exchange rates and the degree of volatility of those rates. Currency risk is limited to the portion of the Company's business transactions and balances denominated in currencies other than the Canadian dollar. The Company performed a sensitivity analysis utilizing a 1% factor and concluded currency risk is not significant to the condensed interim consolidated financial statements.

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**12. RELATED PARTY TRANSACTIONS**

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

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

<i>Management Compensation</i>			
<i>Period Ended March 31, 2022</i>	Non-cash stock compensation \$	Salary, bonus, and consulting fees \$	Total compensation \$
Director and management fees paid to the CEO of the Company	-	110,572	110,572
Director and management fees paid to the CFO of the Company	-	95,895	95,895
Management fees paid to the COO	-	108,874	108,874
Management fees paid to other officers of the Company	-	306,322	306,322
Director fees	-	3,000	3,000
Director and management fees paid to a former director of the Company	-	-	-
<b>Total</b>	-	<b>624,662</b>	<b>624,662</b>

During the three months ended March 31, 2022, the Company has an accrual for deferred salary, bonuses, and compensation for \$266,646 (December 31, 2021- \$Nil) for the executive team and board directors included in accounts payable and accrued liabilities within the condensed interim consolidated statement of financial position.

As at March 31, 2022, the Company has a loan payable to the CEO for \$12,816 which is classified as notes payable, current in the condensed interim consolidated statement of financial position. The loan has an interest rate of 5% and is payable one year from the date of issuance.

<i>Management Compensation</i>			
<i>Period Ended March 31, 2021</i>	Non-cash stock compensation \$	Salary, bonus, and consulting fees \$	Total compensation \$
Director and management fees paid to the CEO of the Company	-	98,700	98,700
Director and management fees paid to the CFO of the Company	-	56,255	56,255
Management fees paid to the COO	-	60,019	60,019
Management fees paid to other officers of the Company	-	144,377	144,377
Director fees	-	-	-
Director and management fees paid to a former director of the Company	-	97,422	97,422
<b>Total</b>	-	<b>456,773</b>	<b>456,773</b>

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**13. COMMITMENTS**

For the period ended March 31, 2022, the Company has numerous agreements which have created both a short term and long commitments. These commitments consist of universities, research and development facilities, and rent. These commitments are within the normal course of business.

	<u>Current</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>Total</u>
Research contracts with universities	487,067	253,940	253,940	253,940	-	1,148,887
Notes payable (Note 7)	-	163,600	-	-	-	163,600
Convertible debenture (Note 6)	-	-	5,500,000	-	-	5,500,000
Other research and development contracts	1,260,463	590,400	590,400	590,400	-	3,031,663
Leased research facility (Note 8)	114,102	19,017	-	-	-	133,119
<b>Total</b>	<b>1,861,632</b>	<b>1,026,957</b>	<b>6,344,340</b>	<b>844,340</b>	<b>-</b>	<b>9,997,269</b>

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

In addition to the above table, the Company has a total of \$3,348,119 in accounts payable and accruals due in the next twelve months.

**14. SUBSEQUENT EVENTS**

On April 13, 2022, the Company completed a reverse stock-split, thereby consolidating all of the Company's issued and outstanding common shares ("Common Shares") on the basis of one (1) post-consolidation Common Share for every fifty (50) pre-consolidation Common Shares. The effect of the reverse stock-split has been applied retrospectively to these condensed interim consolidated financial statements.

On May 2, 2022, the Company, in connection with its previously announced Common Share Subscription Agreement (the "Subscription Agreement") with a third-party investor (the "Investor") dated March 18, 2022 and the subsequent filing of a second shelf prospectus supplement (the "Prospectus Supplement") in connection therewith on April 27, 2022, the Company has closed the second issuance (the "Offering") under the Subscription Agreement. The Offering resulted in the issuance of 1,254,396 common shares in the capital of the Company ("Shares") at a price of \$1.35 per Share for aggregate gross proceeds of \$1,693,434. The distribution of the Shares is qualified by the Prospectus Supplement.