# MYDECINE INNOVATIONS GROUP INC.

## CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in Canadian dollars)

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## Independent Auditors' Report

To the Shareholders of Mydecine Innovations Group Inc.

### Opinion

We have audited the consolidated financial statements of Mydecine Innovations Group Inc. and its subsidiaries (the "Group" or the "Company"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the yeas then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### 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 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 consolidated 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 in our audit is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Emphasis of Matter – Restatement of Consolidated Financial Statements

We draw attention to Note 17 to the consolidated financial statements which describes i) that the consolidated financial statements that originally reported on March 31, 2023 have been restated, and ii) the matter that gives rise to the restatement of the consolidated financial statements. Our opinion is not modified in respect of this matter.

### Other Matter – Comparative Information

The consolidated financial statements of Mydecine Innovations Group Inc. for the year ended December 31, 2022, excluding the adjustments that were applied to restate certain comparative information, were audited by another auditor who expressed an unmodified audit opinion on those statements on March 31, 2023.

As part of our audit of the consolidated financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented as at December 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied. Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review or apply any procedures to the consolidated financial statements as at and for the year ended December 31, 2022. Accordingly, we do not express an opinion or any other form of assurance on those consolidated financial statements taken as a whole.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern,* we have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

***1. Loss on prepaids and deposits***

<u>Description of the key audit matter</u>

The Company is required to perform an assessment of recoverability whenever events or changes in circumstances indicate that the carrying amounts of its prepaids and deposits exceed their recoverable amounts. The Company has performed its assessment and recognized a loss on certain of its prepaids and deposits as at December 31, 2023 and has recognized a corresponding loss in the amount of $3,750,000. We draw attention to Note 6 of the consolidated financial statements.

<u>Why the matter is a key audit matter:</u>

The recoverability of the Company's prepaids and deposits was significant due to the magnitude of the loss, the significant judgement and estimation uncertainty in assessing recoverability, and the resulting significant auditor effort and judgment in evaluating this matter.

<u>How our audit addressed the key audit matter</u>

Our approach in addressing this matter included the following procedures among others:

- Discussing with management and those charged with governance the business rationale and prospective plans related to the identified share based payments;
- Obtaining evidence related to the nature and terms of the underlying transactions;
- Reviewing consulting agreements and treasury orders for the underlying transactions;
- Reviewing management's determination of the recoverability of the prepaids and deposits; and
- Reviewing the adequacy of disclosures in the consolidated financial statements, including the disclosures related to significant judgments and estimates, and the qualitative and quantitative disclosures related to the loss.

***2. Pangenomic Health Inc. ("Pangenomic") Common Shares and Warrants***

<u>Description of the key audit matter</u>

During the year, the Company had sold its 15,250,000 common shares and 18,000,000 warrants of Pangenomic which had a fair value of $4,117,500 and $2,832,519, respectively as of December 31, 2022. The Company recognized losses on these sales in the amount of $2,332,134 and $2,807,318, respectively. Furthermore, the Company recognized a credit loss provision of $1,285,365 on the promissory notes received as compensation for the sale of Pangenomic common shares. We draw attention to Note 5 of the consolidated financial statements.

Why the matter is a key audit matter:

The sale of Pangenomic Common Shares and Warrants was significant to our audit due to the magnitude of the losses on the sale of the Common Shares and Warrants, the magnitude of the credit loss provision and the resulting significant auditor effort and judgment in evaluating this matter.

How our audit addressed the key audit matter

Our approach in addressing this matter included the following procedures among others:

- Discussing with management the business rationale related to the sale of Pangenomic Common Shares and Warrants;
- Discussing with those charged with governance their knowledge and approval of the transactions;
- Obtaining evidence related to the nature and terms of the underlying transactions;
- Reviewing share purchase agreements for the acquisition of Pangenomic shares and warrants and the subsequent sale agreements;
- Reviewing and analyzing Management's evaluation of the accounting treatment of these instruments;
- Evaluating management's judgment regarding the counterparties' creditworthiness, the Company's security and recourse options and the resulting probabilities of default and loss;
- Reviewing management's valuation of the Pangenomic Common Shares and Warrants;
- Reviewing management's assessment of the recoverability of the promissory notes and recognition of credit loss provision; and
- Reviewing the adequacy of disclosures in the consolidated financial statements, including the disclosures related to significant judgments and estimates, and the qualitative and quantitative disclosures related to the losses.

***3. Convertible debentures***

Description of the key audit matter

The Company has a senior secured convertible debenture and the debenture holder has a general security interest over all of the Company's property and assets which included its investment in the wholly owned subsidiary, Mindleap Health Inc. ("Mindleap"). After the sale of Mindleap, the Company compensated the debt holder for the change in security interest by paying a fee amounting to $660,000 cash and 250,000 common shares. We draw attention to Note 8 of the consolidated financial statements.

Why the matter is a key audit matter

This matter was significant to our audit due to the magnitude of the convertible debenture, the significant judgment and estimation uncertainty in assessing valuation, change in security interest and presentation of the convertible debenture in the consolidated financial statements, and the resulting significant auditor effort and judgment in evaluating this matter.

How our audit addressed the key audit matter

Our approach in addressing this matter included the following procedures among others:

- Performing walkthroughs and discussions with management to understand the accounting treatment of the convertible debentures;
- Reviewing agreements for the convertible debentures and change in security interest;
- Reviewing and analyzing Management's accounting treatment and presentation & disclosures of the convertible debenture in accordance with IFRS Accounting Standards;
- Assessing valuation as at December 31, 2022 and December 31, 2023 based on guidance in IFRS Accounting Standards;
- Confirming terms of the convertible debt and balances outstanding with the counterparties as at December 31, 2022 and December 31, 2023; and
- Reviewing the adequacy of disclosures in the consolidated financial statements, including both qualitative and quantitative disclosures.

***4. Related Party Transactions***

Description of the key audit matter

The Company had numerous related party transactions that occurred during the year, including fees paid to key management and directors of the Company. We draw attention to Note 13 of the consolidated financial statements.

Why the matter is a key audit matter

This matter is a key audit matter because of the significant judgment and estimates around these transactions as a result of their nature, frequency and magnitude, as well as the significant auditor effort in evaluating the related party transactions.

How our audit addressed the key audit matter

Our approach in addressing this matter included the following procedures among others:

- Reviewing the schedules of related party transactions, and identifying the ones that were higher risk;
- Confirming transactions and balances outstanding with the related parties as at December 31, 2022 and December 31, 2023
- Reviewing documentation for the related party transactions, and inquiring with management to confirm that the exchange amounts approximated the fair market values and were in the normal course of business;
- Reviewing significant contracts and consulting agreements with arms length parties and inquiring with management of whether they met the definition of a related party under IFRS Accounting Standards;

- Evaluating management's judgment in determining arms length vs. non-arms length for significant counterparties; and
- Reviewing the adequacy of the disclosures in the consolidated financial statements, including disclosures related to significant judgements and estimates, and the related party nature of the transactions where applicable.

### *5. Accounts payable and operating expenses*

Description of the key audit matter

The Company is required to perform an assessment of the accuracy, existence, classification and cut-off of its accounts payable and operating expenses. The Company has performed its assessment and restated its consolidated financial statements as at December 31, 2022. We draw attention to Note 17 of the consolidated financial statements.

Why the matter is a key audit matter:

This matter is a key audit matter because of the number and magnitude of the restatements and the significant auditor effort in evaluating the restatements and the accuracy, existence, classification and cut-off of accounts payable and operating expenses.

How our audit addressed the key audit matter

Our approach in addressing this matter included the following procedures among others:

- Reviewing schedules for accounts payable;
- Obtaining accounts payable confirmations from significant vendors as of December 31, 2022 and 2023 and reviewing management's reconciliation to the confirmations;
- Reviewing evidence for sampled transactions to validate existence, classification and cut-off of accounts payable and expenses; and
- Reviewing the adequacy of the disclosures in the consolidated financial statements, including disclosures related to the restatements.

### Other Information

Management is responsible for the other information. The other information comprises:

- The information included in the Management's Discussion and Analysis of Financial Conditions and Results of Operations for the year ended December 31, 2023.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis of Financial Conditions and Results of Operations for the year ended December 31, 2023 prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

**Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated 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 Group'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, base on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

*"Harpreet Dhawan" (signed)*
**HDCPA Professional Corporation**
Chartered Professional Accountants,
Authorized to practice public accounting by CPA Ontario

Mississauga, ON
June 28, 2024

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

| As at, | Note | December 31, 2023 $ | December 31, 2022 (restated) (Note 17) $ |
|---|---|---|---|
| **Current assets** | | | |
| Cash | | **37,646** | 11,030 |
| Other receivables | **4** | **-** | 86,667 |
| Sales tax receivable | | **155,455** | 276,135 |
| Marketable securities, at fair value through profit and loss | **5** | **-** | 6,950,019 |
| Prepaids and deposits | **6** | **19,278** | 1,220,349 |
| Total current assets | | **212,379** | 8,544,200 |
| **Non-current assets** | | | |
| Prepaids and deposits | **6** | **-** | 678,916 |
| Property and equipment | **7** | **-** | 9,876 |
| **Total assets** | | **212,379** | 9,232,992 |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | **14** | **6,704,267** | 5,333,959 |
| Notes payable | **9** | **209,447** | 85,204 |
| Convertible debentures, net | **8** | **5,213,984** | - |
| Other liability, at fair value through profit and loss | **10** | **-** | 399,774 |
| Total current liabilities | | **12,127,698** | 5,818,937 |
| **Non-current liabilities** | | | |
| Convertible debentures, net | **8** | **-** | 4,696,974 |
| **Total liabilities** | | **12,127,698** | 10,515,911 |
| **Shareholders' equity (deficiency)** | | | |
| Share capital | **11** | **126,123,011** | 115,918,379 |
| Contributed surplus | **11** | **16,787,778** | 16,787,778 |
| Equity portion of convertible debentures | **8** | **285,756** | 175,756 |
| Deficit | | **(155,111,864)** | (134,164,832) |
| **Total shareholders' equity (deficiency)** | | **(11,915,319)** | (1,282,919) |
| **Total liabilities and shareholders' equity (deficiency)** | | **212,379** | 9,232,992 |

**Nature, continuance of operations and going concern** (Note 1)
**Contingencies** (Note 18)
**Subsequent events** (Note 19)

Approved on behalf of the Board on June 27, 2024

***"David Joshua Bartch"*** — Director

***"Rob Roscow"*** — Director

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

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

| For the years ended, | Note | December 31, 2023 | December 31, 2022 (restated) (Note 17) |
|---|---|---|---|
| **Expenses** | | | |
| Finance cost | 8,9 | 1,302,738 | 911,594 |
| Corporate development | | 544,366 | 2,574,487 |
| Depreciation – property and equipment | 7 | 9,876 | 128,861 |
| Consulting fees | | 4,405,681 | 5,119,275 |
| Director and management fees | 13 | 943,680 | 821,594 |
| Foreign exchange loss (gain) | | 1,553 | 175,669 |
| Insurance | | 55,079 | 926,848 |
| Office and miscellaneous | | 51,234 | 175,374 |
| Professional fees | | 1,208,116 | 1,059,559 |
| Regulatory and filing fees | | 155,947 | 133,193 |
| Research and development | | 1,083,853 | 3,513,106 |
| Salaries | 13 | 1,090,568 | 1,518,704 |
| **Total expenses** | | 10,852,691 | 17,058,264 |
| **Other income (expenses)** | | | |
| Change in fair value of derivative liabilities, at fair value through profit and loss | 10 | - | 974,536 |
| Realized loss on marketable securities, at fair value through profit and loss | 5 | (5,139,452) | - |
| Revaluation of marketable securities, at fair value through profit and loss | 5 | - | 960,957 |
| Impairment loss on loan receivable | 5 | (1,285,365) | - |
| Other income | 5 | 26,667 | 93,656 |
| Change in fair value of financial liability | 10 | - | (399,774) |
| Gain on settlement of financial liability | 10 | 53,107 | - |
| Forgiveness of accounts payable | | 702 | - |
| Loss on prepaids | 6 | (3,750,000) | - |
| Loss on disposal of equipment | 7 | - | (316,208) |
| **Total other income (expenses)** | | (10,094,341) | 1,313,167 |
| **Loss from continuing operations** | | (20,947,032) | (15,745,097) |
| **Income from discontinued operations** | 1,4 | - | 6,495,405 |
| **Net loss and comprehensive loss for the year** | | (20,947,032) | (9,249,692) |
| **Net loss per share – Basic and diluted from continuing operations** | | (0.68) | (1.07) |
| **Weighted average number of shares outstanding – Basic and diluted** | | 30,696,926 | 8,647,471 |

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

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

| | Note | Number of Shares | | Share Capital | | Contributed Surplus | | Equity Component of Convertible Debentures | | Deficit | | Total Shareholders' Equity (Deficiency) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance, December 31, 2021** | | **5,218,600** | **$** | **107,662,388** | **$** | **17,288,315** | **$** | **175,756** | **$** | **(124,915,140)** | **$** | **211,319** |
| Shares issued for financing | 11 | 8,645,577 | | 7,247,840 | | 318,127 | | - | | - | | 7,565,967 |
| Share issuance cost | 11 | - | | (814,738) | | 156,819 | | - | | - | | (657,919) |
| Share issued for debt settlements | 11 | 950,263 | | 541,650 | | - | | - | | - | | 541,650 |
| MindLeap Health Inc.'s – anti dilution clause | 11 | 53,175 | | 305,756 | | - | | - | | - | | 305,756 |
| Neuropharm Inc.'s – anti dilution clause | 11 | 10,397 | | 544,001 | | (544,001) | | - | | - | | - |
| Performance Warrants exercised | 11 | 17,600 | | 431,482 | | (431,482) | | - | | - | | - |
| Net loss for the year | | - | | - | | - | | - | | (9,249,692) | | (9,249,692) |
| **Balance, December 31, 2022 (restated) (Note 17)** | | **14,895,612** | **$** | **115,918,379** | **$** | **16,787,778** | **$** | **175,756** | **$** | **(134,164,832)** | **$** | **(1,282,919)** |
| Shares issued for financing | 11 | 8,969,674 | | 3,608,499 | | - | | - | | - | | 3,608,499 |
| Shares issued for services | 11 | 24,216,667 | | 4,570,000 | | - | | - | | - | | 4,570,000 |
| Share issued for debt | 11 | 3,818,851 | | 1,679,465 | | - | | - | | - | | 1,679,465 |
| MindLeap Health Inc.'s – anti dilution clause settlement | 11 | 666,667 | | 346,666 | | - | | - | | - | | 346,666 |
| Obligation to issue shares | 8 | - | | - | | - | | 110,000 | | - | | 110,000 |
| Net loss for the year | | - | | - | | - | | - | | (20,947,032) | | (20,947,032) |
| **Balance, December 31, 2023** | | **52,567,471** | **$** | **126,123,011** | **$** | **16,787,778** | **$** | **285,756** | **$** | **(155,111,864)** | **$** | **(11,915,319)** |

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

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

| For the years ended, | Note | | December 31, 2023 | | December 31, 2022 (restated) (Note 17) |
|---|---|---|---|---|---|
| **Cash flows used in Operating activities** | | | | | |
| Net loss for the period from continuing operations | | $ | **(20,947,032)** | $ | (15,745,097) |
| Items not affecting cash: | | | | | |
| Depreciation | 7 | | **9,876** | | 128,861 |
| Finance cost | 8,9 | | **1,302,738** | | 904,782 |
| Change in fair value of derivative liability | 10 | | **-** | | (974,536) |
| Change in fair value of financial liability | 10 | | - | | 399,774 |
| Unrealized foreign exchange gain | | | **(1,484)** | | 11,020 |
| Revaluation of marketable securities | 5 | | - | | (960,957) |
| Realized loss on marketable security | 5 | | **5,139,452** | | - |
| Gain on termination of lease | 7 | | - | | 316,208 |
| Gain on settlement of financial liability | 10 | | **(53,107)** | | - |
| Loss on prepaids | 6 | | **3,750,000** | | - |
| Impairment of loan receivables | 5 | | **1,285,365** | | - |
| Changes in operating activities from continuing operations | | | **(9,514,192)** | | (15,919,945) |
| Changes in operating activities from discontinued operations | 4 | | - | | (433,363) |
| **Changes in operating activities** | | | **(9,514,192)** | | (16,485,980) |
| **Changes in non-cash working capital items:** | | | | | |
| Accounts receivable | | | **86,667** | | (82,811) |
| Prepaids and deposits | | | **1,879,987** | | 3,403,114 |
| Sales taxes receivable | | | **120,680** | | (97,128) |
| Accounts payable and accrued liabilities | | | **3,209,773** | | 4,702,204 |
| **Cash used in operating activities** | | | **(4,217,085)** | | (8,427,929) |
| **Investing activities** | | | | | |
| Sale of marketable securities | | | **525,202** | | - |
| Cash disposed on sale of Mindleap | 4 | | - | | (2,076) |
| Lease payments | | | - | | (35,466) |
| **Net cash used in investing activities** | | | **525,202** | | (37,542) |
| **Financing activities** | | | | | |
| Proceeds from sale of shares, net of cash share issuance cost | 11 | | **3,608,499** | | 6,908,048 |
| Proceeds from note payable | 9 | | **110,000** | | 175,642 |
| Repayment of note | 9 | | - | | (102,500) |
| **Net cash provided from financing activities** | | | **3,718,499** | | 6,981,190 |
| **Increase in cash during the year** | | | **26,616** | | (1,484,281) |
| **Cash, beginning of the year** | | | **11,030** | | 1,495,311 |
| **Cash, end of the year** | | **$** | **37,646** | $ | 11,030 |
| **Non-Cash Investing and Financing Activities** | | | | | |
| Marketable securities transferred in lieu of cash for convertible debentures | **8** | **$** | **-** | $ | 550,000 |
| Shares issued to settle debt | **11** | **$** | **2,499,467** | $ | 541,650 |
| MindLeap Health Inc.'s – anti dilution clause settlement | **11** | **$** | **346,666** | $ | - |
| Sale of subsidiary | **4** | **$** | **-** | $ | 6,928,768 |

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

## 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 Canadian Securities Exchange (CSE: MYCO), Aquis Stock Exchange (AQSE: MYIG), OTC exchange (OTC: MYCOF) and on the Frankfurt stock exchange (FSE:0NF0). The Company's principal activities are research, drug development and clinical trials of psilocybin products. The registered address, head office, principal address and records office of the Company are located at Suite 1890 - 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9.

As at December 31, 2023, the Company has an accumulated deficit of $155,111,864 (December 31, 2022 - $134,164,832), net loss from continuing operations of $18,447,032 (December 31, 2022 - $15,877,769) and cash used in operating activities of $4,217,085 (December 31, 2022 - $8,427,929). 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 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 consolidated financial statements.

## 2. BASIS OF PRESENTATION

### Statement of Compliance

These consolidated financial statements have been prepared by management in accordance with IFRS Accounting Standards ("IFRS"), as set out in the CPA Canada Handbook – Accounting ("CPA Handbook") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the Interpretations Financial Reporting Interpretations Committee ("IFRIC"). The policies set out below have been consistently applied to all years presented unless otherwise noted.

These consolidated financial statements were approved and authorized for issuance by the Company's Board of Directors on June 27, 2024.

### Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial assets, which are measured at fair value through profit and loss, as explained in the accounting policies below. Historical costs are generally based upon the fair value of the consideration given in exchange for goods and services. These consolidated financial statements have been prepared using accrual basis of accounting except for cash flow statement.

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.

## 2. BASIS OF PRESENTATION

### Functional Currency

All figures presented in the consolidated financial statements are reflected in Canadian dollars. The Company and NeuroPharm Inc. functional currency is the Canadian 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 Company'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 other comprehensive loss.

### Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. As at December 31, 2023, the following is a list of the Company's operating subsidiaries:

| Name | Jurisdiction of incorporation | Interest |
|---|---:|---:|
| Mydecine Group (1220611 BC Ltd) | Canada | 100% |
| NeuroPharm Inc | Canada | 100% |

All inter-company transactions and balances have been eliminated on consolidation.

### Discontinued operating and assets held for distribution

A non-current asset or a group of assets and liabilities is held for distribution when its carrying amount will be recovered principally through its divestiture and not by continuing utilization. To meet this definition, the asset must be available for immediate distribution, and divestiture must be highly probably.

These assets and liabilities are recognized as assets held for distribution and liabilities associated with assets held for distribution, without offset. The related assets recorded as assets held for distribution are valued at the lower of fair value, net of divestiture fees, and cost less accumulated depreciation and impairment losses, and are no longer depreciated.

An operation is qualified as discontinued when it represents a separate major line of business and the criteria for classification as an asset held for distribution have been met, or when the Company has sold the asset.

Discontinued operations are presented on a single line of the consolidated statements of loss and comprehensive loss for the periods reported, comprising the earnings after tax of discontinued operations until divestiture and the gain or loss after tax on sale or fair value measurement, less costs to sell the assets and liabilities making up the discontinued operations are presented on one separate line of the consolidated statements of cash flows for the periods presented.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Convertible debentures

The convertible debentures which meet the fixed-for-fixed criteria (fixed consideration received and fixed number of shares issued upon conversion) are separated into their liability and equity components on the consolidated statements of financial position. The liability component is initially recognized at fair value, calculated as the net present value of the liability based upon non-convertible debt issued by comparable issuers and accounted for at amortized cost using the effective interest rate method. The effective interest rate used is the estimated rate for the non-convertible debt with similar terms in the time of issue. The fair value of the equity component is determined at the time of issue as the difference between the face value of the convertible debentures and the fair value of the liability component.

Transaction costs that are directly attributed to the issuance of the debentures are recorded against equity and loan components on a pro-rated basis. Transaction costs allocated to the liability component are accreted over the term of the loan using the effective interest rate method.

### Intangible assets

Expenditures related to research activities are recognized as an expense in the period in which they are incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, the entity can demonstrate all of the following:

a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
b) its intention to complete the intangible asset and use or sell it;
c) its ability to use or sell the intangible asset;
d) how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs are capitalized once the above criteria are met. Where no internally generated intangible asset can be recognized, development expenditures are expensed in the period in which they are incurred. Expenditures recovered related to internally developed intangible assets are deducted from the capitalized development costs in the period in which they are recovered. Costs which do not meet the above criteria will be expensed through research and development in the consolidated statements of loss and comprehensive loss.

After initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Once an internally generated intangible asset becomes available for use, expenditures are no longer capitalized to the intangible asset. Internally generated intangible assets that are available for use are amortized on a straight-line basis over their estimated useful life of five years, and an impairment loss is recognized in profit or loss when their recoverable amount is less than their net carrying amount. Internally generated intangible assets that are under development are not amortized and are reviewed for impairment annually by comparing the carrying amount with its recoverable amount. An impairment loss is recognized in profit or loss when the recoverable amount is less than the net carrying amount.

## 3. SIGNIFICANT ACCOUNTING POLICIES

**Financial instruments**

The Company adopted all the requirements of IFRS 9 Financial Instruments on January 1, 2018. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model.

The following is the Company's accounting policy for financial instruments under IFRS 9:

*Classification*

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive loss ("FVTOCI") or at amortized cost. The Company determines the classification of financial instruments at initial recognition. The classification of instruments is driven by the Company's business model for managing the financial instruments and their contractual cash flow characteristics.

The following table shows the classifications under IFRS 9:

| Financial assets/liabilities | Classification under IFRS 9 |
|---|---|
| Cash and other receivables | Amortized cost |
| Loan receivable | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |
| Convertible debentures | Amortized cost |
| Notes payable | Amortized cost |
| Other financial liabilities | FVTPL |
| Marketable securities, at fair value through profit and loss | FVTPL |

***Financial instruments***

<u>*Measurements*</u>

*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 expensed in the consolidated statements of loss and 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 included in the consolidated statements of loss and comprehensive loss in the period in which they arise.

*Impairment of financial assets at amortized cost*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss and 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.

**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 of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

*Financial liabilities*

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss and comprehensive loss.

**Revenue from Contracts with Customers**

IFRS 15, Revenue from Contracts with Customers (“IFRS 15) specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. The Company’s accounting policy for revenue recognition under IFRS 15 is to follow a five-step model to determine the amount and timing of revenue to be recognized:

1. Identifying the contract with a customer
2. Identifying the performance obligations within the contract
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

**Property and equipment**

The Company records property and equipment at cost less accumulated depreciation and accumulated impairment losses. The Company recognizes depreciation to write off the cost of assets less their residual values over their useful lives, using the following methods and rates:

Leasehold improvements – straight line over term
Equipment – straight line over 5 years
Right-of-use assets – straight-line over term of lease

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss. Where an item of property and equipment and deferred costs consist of major components with different useful lives, the components are accounted for as separate items of property and equipment and deferred expenditures. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

**Income taxes**

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, and 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 end of the reporting years. 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.

**Share-based compensation**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received. When stock options are exercised, the amount initially recognized in contributed surplus is transferred to share capital, along with the additional consideration received upon exercise.

**Impairment of long-lived assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purpose of testing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit, or “CGU”). An impairment loss is recognized for the amount, if any, by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset’s fair value less cost to sell and the value in use (being the present value of expected future cash flows of the asset or CGU). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been previously recognized, with the exception of goodwill.

**Share Capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received or given up is not readily determinable, the fair market value of the shares is used to record the transaction. The fair market value of the shares is based on the trading price of those shares on the appropriate stock exchange on the date of the agreement to issue or receive shares as determined by the board of directors.

**Leases**

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease is recognized as a right-of-use asset and corresponding liability at the commencement date. Lease liabilities represent the net present value of fixed lease payments (including in-substance fixed payments); variable lease payments based on an index, rate, or subject to a fair market value renewal condition; amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if it is probable that the lessee will exercise that option.

The Company's lease liability is recognized net of lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the expected lease term, including renewal and termination options that the Company is reasonably certain to exercise.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in office and miscellaneous expenses in the consolidated statements of loss and comprehensive loss. Short term leases are defined as leases with a lease term of twelve months or less.

Variable lease payments that do not depend on an index, rate, or subject to a fair market value renewal condition are expensed as incurred and recognized in office and miscellaneous expenses, as appropriate given how the underlying leased asset is used, in the consolidated statements of loss and comprehensive loss.

Right-of-use assets are measured at cost, which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. The depreciation is recognized from the commencement date of the lease.

**Business combination**

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the fair value equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date when the Company obtains control of the acquiree. The identifiable assets acquired, and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair value. Goodwill represents the difference between total consideration paid and the fair value of the net-identifiable assets acquired. Acquisition costs incurred are expensed in the consolidated statements of loss and comprehensive loss.

Contingent consideration is measured at its acquisition date fair value and is included as part of the consideration transferred in a business combination, subject to the applicable terms and conditions. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 Financial Instruments with the corresponding gain or loss recognized in the consolidated statements of loss and comprehensive loss.

Based on the facts and circumstances that existed at the acquisition date, management will perform a valuation analysis to allocate the purchase price based on the fair values of the identifiable assets acquired and liabilities assumed on the acquisition date. Management has one year from the acquisition date to confirm and finalize the facts and circumstances that support the finalized fair value analysis and related purchase price allocation. Until such time, these values are provisionally reported and are subject to change. Changes to fair values and allocations are retrospectively adjusted in subsequent periods.

In determining the fair value of all identifiable assets acquired and liabilities assumed, the most significant estimates generally relate to contingent consideration and intangible assets. Management exercises judgment in estimating the probability and timing of when earn-outs are expected to be achieved, which is used as the basis for estimating fair value. Identified intangible assets are fair valued using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows of the acquiree. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on the fair value of the goods and services received. Asset acquisitions do not give rise to goodwill. Any consideration paid in excess of the identifiable assets and liabilities assumed is expensed to the consolidated statements of loss and comprehensive loss.

**Loss per share**

The Company calculates basic loss per share by dividing the net loss and comprehensive loss for the year by the weighted average number of common shares outstanding during the year. It calculates diluted loss per share in a similar manner, except that it increases the weighted average number of common shares outstanding, using the treasury stock method, to include common shares potentially issuable from the assumed exercise of stock options and other instruments, if dilutive. In the Company's case, these potential issuances are "anti-dilutive" as they would decrease the loss per share; consequently, the amounts calculated for basic and diluted loss per share are the same.

**Significant accounting judgments and estimates**

The preparation of financial statements in conformity with IFRS 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 revenues and expenses during the year. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

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

<u>Functional currency</u>

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

<u>Business combination and asset acquisition</u>

Judgment is required to determine if the Company's acquisition represented a business combination or an asset purchase. More specifically, management concluded that most of the Company's acquisitions did not represent a business, as the assets acquired were not an integrated set of activities with inputs, processes and outputs. For acquisitions that represented the purchase of assets, no goodwill was recognized on the transactions and acquisition costs were capitalized to the assets purchased rather than expensed. As the Company concluded that most of the acquisitions were an asset acquisition, an allocation of the purchase price to the individual identifiable assets acquired, including identifiable and unidentifiable intangible assets, and liabilities assumed based on their fair values at the date of purchase was required. The fair values of the net assets acquired were calculated using significant estimates and judgments. If estimates or judgments differed, this could result in a materially different allocation of net assets on the consolidated statements of financial position.

In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgment and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows.

These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstances where estimates have been made, the Company may obtain third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of certain purchase prices and accounting adjustments.

Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company’s earnings and equity reserves.

Valuation of convertible debenture conversion feature, warrants and derivative liabilities

The Company used both the Black-Scholes Option Pricing Model and the Monte Carlo option pricing model during the valuation for the convertible debenture conversion feature and warrants issued with the convertible debenture as well as for the valuation of its derivative liabilities. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Simulation models utilizes several more complex inputs and is ran at many different scenarios to determine the proper value. In addition, management had to estimate the Company’s market interest rate in order to determine the fair value of the debenture’s host liability. Changes in the input assumptions can materially affect the fair value estimate and the Company’s earnings and equity reserves.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment annually or if there is an occurrence of events or changes in circumstances indicating that the carrying value of the asset may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. Management evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Estimated useful life of long-lived assets

Judgment is used to estimate each component of a long-lived asset’s useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset’s legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, it could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

Fair value of stock options and warrants

Determining the fair value of warrants and stock options requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant effect on the Company's future operating results or on other components of shareholders' equity.

Provisions

Provisions are uncertain timing or amounts; it is both likely that a future event will confirm that a liability had been incurred at the date of the consolidated financial statements and the amount can be reasonably estimated. In cases where it is not possible to determine whether such a liability has occurred, or to reasonably estimate the amount of loss until the performance of some future event, no accrual is made until that time. In the ordinary course of business, the Company may be party to legal proceedings which include claims for monetary damages asserted against the Company. The adequacy of provisions is regularly assessed as new information becomes available.

Income taxes

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.

The Company's effective income tax rate can vary significantly for various reasons, including the mix and volume of business in lower income tax jurisdictions and in jurisdictions for which no deferred income tax assets have been recognized because management believed it was not probable that future taxable profit would be available against which income tax losses and deductible temporary differences could be utilized.

Leases

Leases require lessees to discount lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate. The Company generally uses the incremental borrowing rate when initially recording real estate leases as the implicit rates are not readily available as information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets is not available.

The Company determines the incremental borrowing rate as the interest rate the Company would pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Leases requires lessees to estimate the lease term. In determining the period which the Company has the right to use an underlying asset, management considers the non-cancellable period along with all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option (Note 10).

Going concern

The Company's assessment of its ability to continue as a going concern requires judgments about the Company's ability to execute its strategy by funding future working capital requirements (Note 1). The Company's objectives are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide returns to shareholders and benefits for other stakeholders.

Recent Accounting Pronouncements

As at the date of authorization of these consolidated financial statements, the IASB and the IFRS Interpretations Committee had issued certain pronouncements that are mandatory for the Company's accounting periods commencing on or after January 1, 2023. Many are not applicable or do not have a significant impact to the Company, have been excluded. The Company had assessed that no material impact is expected upon the adoption of the following amendments on its consolidated financial statements:

*IAS 12 Income Taxes*

In May 2021, the International Accounting Standards Board (IASB) issued amendments to the recognition exemptions under IAS 12 Income Taxes. The amendments narrowed the scope of the recognition exemption to require an entity to recognize deferred tax on initial recognition of particular transactions, to the extent that transaction gives rise to equal taxable and deductible temporary differences. These amendments apply to transactions for which an entity recognized both an asset and liability, for example leases and decommissioning liabilities. The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The Company is currently assessing the financial impact of this pronouncement.

*Amendments to IAS 1*

In January 2020, the IASB issued amendments to IAS 1 which clarify the requirements for classifying liabilities as either current or non-current by: (i) specifying that the conditions which exist at the end of the reporting period determine if a right to defer settlement of a liability exists; (ii) clarifying that settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services; (iii) clarifying that classification is unaffected by management's expectation about events after the balance sheet date; and (iv) clarifying the classification requirements for debt an entity may settle by converting it into equity.

## 4. DISPOSITION OF MINDLEAP HEALTH INC.

On November 18, 2022, the Company entered into an agreement with PanGenomic Health Inc. ("PanGenomic") for the sale of Mindleap Health Inc. ("Mindleap"), a wholly owned subsidiary. Mindleap has developed a genomics analytic platform and consumer application focused on natural remedy treatments to support mental health. PanGenomic acquired all of Mindleap's outstanding shares for a purchase price of $4,140,000, payable by the issuance of units (each a "Unit") of PanGenomic at a price of $0.23 per Unit (the "Transaction"). Each Unit was comprised of one Class A Common Share of PanGenomic (a "Common Share") and one share purchase warrant to purchase one additional Common Share (a " Warrant") at a price of $0.30 per Warrant until December 8, 2024. The fair value of the Warrants was measured using a the Black-Scholes option pricing model with a fair value of $2,399,062 with the following assumptions: stock price - $0.23; exercise price - $0.30; expected life – 2 years; volatility – 122%; dividend yield – Nil; and risk-free rate – 3.76%. The transaction closed on December 9, 2022.

(EXPRESSED IN CANADIAN DOLLARS)

The details of the sale of Mindleap are as follows:

| | |
|---|---|
| **Sale transaction:** | $ |
| Fair value of 18,000,000 common shares of Pangenomic Health Inc. | 4,140,000 |
| Fair value of 18,000,000 warrants of Pangenomic Health Inc. | 2,399,062 |
| Total value of Pangenomic Health Inc. units | 6,539,062 |
| | |
| **Fair value of net assets (liabilities) sold:** | |
| Cash | 2,076 |
| Accounts receivable | 22,053 |
| Accounts payable | (413,835) |
| Net liabilities sold | (389,706) |
| | |
| Gain on sale of Mindleap | 6,928,768 |

In support of the Transaction, the Company and PanGenomic entered into a transition services agreement concurrent with the closing date of the Transaction whereby PanGenomic engaged the Company to assist in the transition, transfer, and integration of Mindleap's technologies into PanGenomic's technology platform (the "Services") for two months. In return for the Services, PanGenomic will pay to the Company a consulting fee of $100,000, payable on January 8, 2023.

The sale of Mindleap 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 years ended December 31, 2022:

| December 31, 2022 | Mindleap $ |
|---|---|
| **Expenses** | |
| Corporate development | (13,243) |
| Consulting fees | (280,641) |
| Foreign exchange gain | 4,355 |
| Office and miscellaneous | (69,344) |
| Professional fees | (23,927) |
| Research and development | (50,563) |
| Gain on sale of Mindleap | 6,928,768 |
| **Net loss from discontinued operations** | 6,495,405 |

Net cash flows from discontinued operations are as follows during the period ended December 31, 2022:

| December 31, 2022 | Mindleap $ |
|---|---|
| **Cash flows used in** | |
| Operating activities | |
| Net loss for the period | 6,495,405 |
| Items not affecting cash: | |
| Gain on sale of Mindleap (Note 4) | (6,928,768) |
| | |
| Cash used in operating activities | (433,363) |

(EXPRESSED IN CANADIAN DOLLARS)

## 5. MARKETABLE SECURITIES

During the year ended December 31, 2022, the Company received 18,000,000 units of Pangenomic Health Inc. pursuant to the sale of Mindleap (Note 4).

The following is a continuity schedule of marketable securities of Pangenomic Health Inc.:

| | Pangenomic Health Inc. |
|---|---|
| **Common shares** | |
| Balance, December 31, 2021 | - |
| Common shares received as consideration | 18,000,000 |
| Disposition of common shares to settle convertible debenture interest (Note 7) | (2,750,000) |
| **Balance, December 31, 2022** | 15,250,000 |
| Shares disposed pursuant to share sale agreement | (15,250,000) |
| **Balance, December 31, 2023** | - |
| | |
| **Warrants** | |
| Balance, December 31, 2021 | - |
| Warrants received as consideration | 18,000,000 |
| **Balance, December 31, 2022** | 18,000,000 |
| Warrants disposed pursuant to sale | (18,000,000) |
| **Balance, December 31, 2023** | - |

The following are the fair values of Pangenomic Health Inc.'s securities at December 31, 2023 and 2022:

| | Pangenomic Health Inc.<br>$ |
|---|---|
| **Common shares** | |
| Balance, December 31, 2021 | - |
| Common shares received as consideration | 4,140,000 |
| Disposition of common shares to settle convertible debenture interest (Note 7) | (550,000) |
| Change in fair value of marketable securities | 527,500 |
| **Balance, December 31, 2022** | 4,117,500 |
| Shares sold in exchange for promissory notes | (1,785,366) |
| Realized loss on disposition of marketable securities | (2,332,134) |
| **Balance, December 31, 2023** | **-** |
| | |
| **Warrants** | |
| Balance, December 31, 2021 | - |
| Warrants received as consideration | 2,399,062 |
| Change in fair value of marketable securities | 433,457 |
| **Balance, December 31, 2022** | 2,832,519 |
| Disposition of warrants | (25,201) |
| Realized loss on disposition of marketable securities | (2,807,318) |
| **Balance, December 31, 2023** | - |

(EXPRESSED IN CANADIAN DOLLARS)

On January 4, 2023, the Company entered into share sale agreements with arms length parties and sold 15,250,000 common shares in exchange for promissory notes totalling $1,785,366. As of December 31, 2023, the Company has collected $500,001. During the year ended December 31, 2023, an expected credit loss provision of $1,285,365 was recognized in relation to the other receivables and included on the statement of loss and comprehensive loss. The Company is pursuing the remainder of the promissory notes.

On February 23, 2023, the Company entered into purchase agreements with arms length parties to sell 18,000,000 warrants for gross proceeds of $25,201. The proceeds for the sale were received during the year ended December 31, 2023. The Company recognized a realized loss on marketable securities of $2,807,318.

## 6. PREPAIDS AND DEPOSITS

| | December 31, 2023<br>$ | December 31, 2022<br>$ |
|---|---|---|
| Research and development | - | 1,032,065 |
| Corporate development | - | 835,577 |
| Deposits | 19,278 | 31,623 |
| **Total** | 19,278 | 1,899,265 |
| **Short-term** | 19,278 | 1,220,349 |
| **Long-term** | - | 678,916 |

Subsequent to the year ended December 31, 2023, the Company amended its research and development work orders and ceased development on its initial research and development projects. As at December 31, 2023, all prepaid research and development were delivered and the Company recognized research and development expense of $1,032,065.

On September 19, 2023, the Company issued 18,750,000 common shares with a fair value of $3,750,000 for 1 year consulting service agreements with arm's length parties. The fair value of the services could not be measured. and therefore, the prepayment was measured at the fair value of the common shares, using a level 1 input on the date of issuance.. Subsequently the Company assessed that the carrying amount of these prepayments exceeded their recoverable amount. As such, the Company recorded a loss on prepaids of $3,750,000.

## 7. PROPERTY AND EQUIPMENT

| | Leasehold improvements<br>$ | Equipment<br>$ | Total<br>$ |
|---|---|---|---|
| **Cost** | | | |
| Balance at December 31, 2021 | 227,362 | 356,812 | 584,174 |
| Disposals | (227,362) | (332,162) | (559,524) |
| **Balance at December 31, 2022 and 2023** | **-** | **24,650** | **24,650** |
| | | | |
| **Accumulated depreciation** | | | |
| Balance, December 31, 2021 | 92,876 | 56,388 | 149,264 |
| Depreciation | 31,846 | 50,387 | 82,233 |
| Disposals | (124,722) | (92,001) | (216,723) |
| **Balance, December 31, 2022** | **-** | **14,774** | **14,774** |
| Depreciation | - | 9,876 | 9,876 |
| **Balance, December 31, 2023** | **-** | **24,650** | **24,650** |
| | | | |
| **Net book values** | | | |
| December 31, 2022 | - | 9,876 | 9,876 |
| **December 31, 2023** | **-** | **-** | **-** |

As at December 31, 2023 and 2022, the Company did not recognize an impairment of property and equipment.

(EXPRESSED IN CANADIAN DOLLARS)

On June 19, 2022, the Company terminated its lease agreement and as part of the termination, the Company forfeited leasehold improvement and equipment held at the leased facility. The Company recognized a loss on lease termination of $316,208 on the Statement of Loss and Comprehensive Loss in the prior reporting period.

## 8. CONVERTIBLE DEBENTURES

On December 9, 2021, the Company closed a senior secured convertible debenture financing on a non-brokered private placement basis for gross proceeds of $5,500,000. The debenture bears annual interest of 10%, matures in 36 months and the principal and interest are convertible into units (“conversion units”) at a conversion price of $0.17, at the option of the debenture holder. Each conversion unit will consist of one (1) common share of the Company common share purchase warrant. Additionally, the Company issued 32,352,941 warrants which will entitle the holder to purchase one (1) additional common share of the Company at a price of $8.50 per Warrant Share for a period of thirty-six (36) months from the issuance date. The lender has a general security interest over the Company’s assets.

On May 19, 2023, the Company amended the conversion price of the convertible debentures and the exercise price of the debenture warrants. The conversion price of the convertible debenture and exercise price of the debenture warrants were amended from $8.50 to $0.35. All other terms of the convertible debenture and the debenture warrants remain unchanged. The amendment did not affect the carrying value of the conversion feature or warrants.

The convertible debenture is a compound financial instrument. Management estimated the fair value of the debt using a discount rate of 20% applicable to the Company’s business, with the residual value allocated to the equity components of the convertible debenture. The Convertible Debenture has $37,743 of deferred loan costs which are amortized over the life of the loan and are recorded in interest expense. The residual value was allocated between the warrants and the conversion feature using the relative fair value method. The Black Scholes Pricing Model was used to determine the fair value of the warrants. The inputs to the pricing model were a stock and exercise price of $8.50, expected life of 3 years, volatility 149%, and risk-free rate of 0.17%. The Company utilized the Monte Carlo option model to estimate the fair value for the conversion feature. This resulted in an allocated value of $918,604 to the warrants and $240,756 to the conversion feature.

The following table reconciles the recorded value of the liability and the equity components of the convertible debentures at December 31, 2023 and 2022:

| | Convertible debenture $ | Warrants issued with debenture – Contributed Surplus $ | Equity component of convertible debenture $ | Total $ |
|---|---|---|---|---|
| **Balance, December 31, 2021** | 4,354,302 | 670,604 | 175,756 | 5,200,662 |
| Imputed interest | 892,672 | - | - | 892,672 |
| Interest settlement (Note 4) | (550,000) | - | - | (550,000) |
| **Balance, December 31, 2022** | 4,696,974 | 670,604 | 175,756 | 5,543,334 |
| Imputed interest | 1,287,010 | - | - | 1,287,010 |
| Security interest waiver | (770,000) | - | - | (770,000) |
| **Balance, December 31, 2023** | 5,213,984 | 670,604 | 175,756 | 6,060,344 |

On December 9, 2022, the Company disposed of 2,750,000 common shares of Pangenomic to the convertible debenture holder and settled an interest payable of $550,000 (Note 4).

On December 9, 2023, the Company has not paid the interest due on the convertible debenture and the Company is in negotiation with the lender.
On March 4, 2023, the Company amended the terms of the convertible debenture, whereby agreeing to waive the

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holders security interest in Mindleap Health ("Security Interest Waiver"). The Company agreed to issue 250,000 common shares with a fair value of $110,000 and pay $660,000 to waive the security interest the convertible debenture held.

## 9. NOTES PAYABLE

| | Notes Payable $ |
|---|---|
| Balance, December 31, 2021 | - |
| Additions | 151,899 |
| Repayments | (77,108) |
| Interest | 2,783 |
| Foreign exchange | 7,630 |
| Balance, December 31, 2022 | 85,204 |
| Additions | 110,000 |
| Interest | 15,727 |
| Foreign exchange | (1,484) |
| Balance, December 31, 2023 | 209,447 |

On March 8, 2022, the Company entered into a secured note payable with an arms-length party for $151,889 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. On March 7, 2023, the Company defaulted on the note payable and the defaulted note payable bears interest of 12% interest per annum. The Company is in negotiation with the creditor to settle this note payable.

On September 28, 2023, the Company entered into a loan agreement with an arm's length party for $110,000, which is due on demand, unsecured, and bears interest of 6%.

## 10. DERIVATIVE LIABILITIES

The derivative liabilities consist of Mindleap's Anti-Dilution Securities for 1,590,909 shares.

| | Mindleap Anti-dilution Securities $ |
|---|---|
| Balance, December 31, 2021 | 1,280,294 |
| Issuance of common shares | (305,756) |
| Change in fair value of derivative liabilities | (974,536) |
| Balance, December 31, 2022 | - |

On August 19, 2022, the Company did not satisfy the last tranche of Mindleap's anti-dilution agreement and estimated the fair value of the financial liability to be $399,774.

On February 16, 2023, the Company entered into a settlement agreement with the Anti-Dilution Securities holders and issued 666,667 common shares with a fair value of $346,667 to settle this derivative liability. During the year ended December 31, 2023, the Company recorded a gain on settlement of financial liability of $53,107.

## 11. SHARE CAPITAL AND CONTRIBUTED SURPLUS

**(a)** Authorized: Unlimited common shares without par value

**Year ended December 31, 2023:**

Issued: common shares 52,567,458 (December 31, 2022 – 14,895,612 common shares)

On January 19, 2023, the Company completed a private placement and issued 1,182,795 common shares for gross proceeds of $550,000.

On February 1, 2023, the Company completed a private placement and issued 1,397,849 common shares for gross proceeds of $650,000.

On February 10, 2023, the Company completed a private placement and issued 1,397,849 common shares for gross proceeds of $650,000.

On February 22, 2023, the Company completed a private placement and issued 1,397,849 common shares for gross proceeds of $650,000.

On February 1, 2023, the Company issued 140,350 common shares with a fair value of $77,193 and settled debt of $80,000. The Company recorded a gain on settlement of debt of $2,808.

On February 9, 2023, the Company issued 461,288 common shares with a fair value of $276,773 and settled debt of $268,540. The Company recorded a loss on settlement of debt of $8,233.

On February 28, 2023, the Company issued 666,667 common shares with a fair value of $346,666 and settled the Company’s other financial liability in full.

On April 6, 2023, the Company completed a private placement and issued 1,340,206 common shares for gross proceeds of $650,000.

On April 12, 2023, the Company completed a private placement and issued 359,794 common shares for gross proceeds of $174,500. The Company issued 1,702,061 common shares and settled debt of $825,500.

On May 29, 2023, the Company issued 1,515,151 common shares and settled debt of $500,000.

On September 19, 2023, the Company issued 18,750,000 common shares with a fair value of $3,750,000 for prepaid consulting services with arm’s length parties, using a level 1 input on the date of issuance. As at December 31, 2023, prepaid consulting services was $Nil (2022 - $Nil) related to this transaction, as disclosed in Note 6

On October 31, 2023, the Company issued 1,893,333 common shares for gross proceeds of $284,000 and 5,466,667 common shares for consulting services to arm’s length parties with a fair value of $820,000, using a level 1 input on the date of issuance.

On August 28, 2022, the Company was obligated to issue 968,979 common shares for the last tranche of Neuropharm’s anti-dilution clause. As at December 31, 2023 and 2022, these shares have not been issued.

**Year ended December 31, 2022:**

On January 11 and 31, 2022, the Company issued 17,600 common shares upon the exercise of 88,000 Neuropharm performance warrants and reclassified an amount of $431,482 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 $305,756.
On February 3, 2022, the Company issued 10,397 anti-dilution common shares in relation to Neuropharm's acquisition with a fair value of $544,001 and reclassified an amount of $544,001 from contributed surplus to share capital.

On March 30, 2022, the Company completed a private placement and issued 70,547 common shares for gross proceeds of $333,333. The Company paid finder's fees of $179,445 and professional costs of $10,021.

On April 28, 2022, the Company completed a private placement and issued 1,254,396 common shares for gross proceeds of $1,693,435. The Company paid finder's fees of $267,780.

On May 27, 2022, the Company completed a private placement and issued 2,447,130 Units of the Company for gross proceeds of $2,814,200. Each Unit consists of one common share and one share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one additional common share at a price of $1.40 for a period of 5 years from the date of issuance. The fair value of the Warrants was $318,127 using the residual method. The Company paid finder's fees of $200,674. The Company issued 49,560 broker warrants and 121,739 advisory warrants with fair values of $45,371 and $111,448, respectively. The broker and advisory warrants entitle the holder to purchase one additional common share at a price of $1.15 for a period of 5 years from the date of issuance. The fair value of the broker and advisory warrants was measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - $1.02; exercise price - $1.15; expected life – 5 years; volatility – 146%; dividend yield - Nil; and risk-free rate – 2.59%.

On August 16, 2022, the Company completed a private placement and issued 326,666 common shares for gross proceeds of $245,000.

On September 16, 2022, the Company completed a private placement and issued 1,754,386 common shares for gross proceeds of $1,000,000.

On November 1, 2022, the Company completed a private placement and issued 943,396 common shares for gross proceeds of $500,000.

On November 28, 2022, the Company completed a private placement and issued 943,396 common shares for gross proceeds of $500,000.

On December 7, 2022, the Company issued 950,263 common shares for gross proceeds of $541,650 pursuant to debt settlements.

On December 9, 2022, the Company completed a private placement and issued 905,660 common shares for gross proceeds of $480,000.

*Stock Options*

The Company has adopted the 2023 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.

(EXPRESSED IN CANADIAN DOLLARS)

During the years ended December 31, 2023 and 2022, the Company did not grant any stock options.

As at December 31, 2023, 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 |
| 243,863 | | |

A summary of the status of the Company's stock options outstanding and exercisable as at December 31, 2023 and 2022, and changes during those periods is presented below:

| | Number of Options Issued and Exercisable | | Weighted Average Exercise Price |
|---|---:|---|---:|
| **Balance, December 31, 2021** | 263,863 | $ | 11.50 |
| Expired/cancelled | (20,000) | | (13.00) |
| **Balance, December 31, 2023 and 2022** | 243,863 | $ | 11.45 |

The stock options have a weighted average remaining life of 1.65 years.

*Warrants*

A summary of the status of the Company's warrants outstanding and exercisable as at December 31, 2023 and 2022, and changes during those periods is presented below:

| | Number of Warrants Issued | Weighted Average Exercise Price |
|---|---:|---:|
| **Balance, December 31, 2021** | 1,830,114 | 20.53 |
| Exercised warrants | (38,000) | - |
| Issued | 2,618,429 | 1.38 |
| Expired | (245,060) | (10.26) |
| **Balance, December 31, 2022** | 4,165,482 | 8.85 |
| Expired | (121,445) | (15) |
| **Balance, December 31, 2023** | 4,044,038 | 8.68 |

As at December 31, 2023, 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 |
|---:|---:|---:|---:|
| 23,000 | 23,000 | variable | August 31, 2025 |
| 707,250 | 707,250 | 15.00 | February 12, 2024 |
| 48,300 | 48,300 | 15.00 | February 12, 2024 |
| 647,059 | 647,059 | 0.35 | December 9, 2024 |
| 2,447,130 | 2,447,130 | 1.40 | May 27, 2027 |
| 171,299 | 171,299 | 1.15 | May 27, 2027 |
| 4,044,038 | 4,044,038 | | |

(EXPRESSED IN CANADIAN DOLLARS)

As at December 31, 2023, 243,863 (2022 – 243,863) share options and 4,044,038 (2022 – 4,165,482) warrants were excluded from the diluted weighted-average number of ordinary share calculation because their effect would have been anti-dilutive. These options and warrants could potentially dilute basic earnings per share in the future.

## 12. 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 December 31, 2023 and 2022.

| As at December 31, 2023 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| Cash | $ 37,646 | $ - | $ - |
| **Total financial assets** | **$ 37,646** | $ - | **$ -** |

| As at December 31, 2022 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| Cash | $ 11,030 | $ - | $ - |
| Marketable securities | $ 4,117,500 | $ 2,832,519 | $ - |
| Other receivables | $ 86,667 | $ - | $ - |
| **Total financial assets** | **$ 4,215,197** | $ 2,832,519 | **$ -** |
| Other financial liability | $ - | $ 399,774 | $ - |
| **Total financial liabilities** | **$ -** | **$ 399,774** | **$ -** |

For the financial instruments, including sales tax receivable, note payable, convertible debentures and accounts payable are measured at amortized cost, the carrying values approximate the fair values of the financial instruments given their short-term maturity as a level 1 input.

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.

On January 4, 2023, the Company entered into share sale agreements with arms length parties and sold 15,250,000 Pangenomic common shares for gross proceeds of $1,785,365 (Note 4). As of December 31, 2023, the Company has collected $500,001 from the disposition of these shares. During the year ended December 31, 2023, an expected credit loss provision of $1,285,365 was recognized in relation to amounts receivables for those shares and included on the statement of loss and comprehensive loss for the reporting year. The increase in the expected credit loss was a result of changes in the expected probability of default at December 31, 2023. The Company is pursuing the collection of this receivable.

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 December 31, 2023.

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 consolidated financial statements.

## 13. RELATED PARTY TRANSACTIONS

Key management includes directors, executive officers and officers who have authority and responsibility for planning, directing and controlling the activities of the Company. The Company paid or accrued compensation in form of salaries and management fees to companies controlled by directors, executive officers and officers as follows:

(EXPRESSED IN CANADIAN DOLLARS)

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Director and management fees paid or accrued to the CEO | 469,685 | 444,517 |
| Director and management fees paid or accrued to the former CFO | - | 146,472 |
| Management fees paid or accrued to the CFO | 58,600 | 9,200 |
| Salaries paid or accrued to the COO | 481,090 | 455,311 |
| Management fees or salaries paid or accrued to other officers of the Company | 869,794 | 1,101,087 |
| Management fees paid or accrued to former directors | - | 137,061 |
| **Total** | **1,879,169** | **2,293,648** |

During the year ended December 31, 2023, the Company has an accrual for salaries, bonuses, short term benefits and management fees of $2,406,808 (December 31, 2022 - $1,295,361) for the executive team and board of directors included in accounts payable and accrued liabilities within the consolidated statement of financial position. Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

## 14. ACCOUNTS PAYABLE

| | December 31, 2023<br>$ | December 31, 2022<br>$ |
|---|---|---|
| Accounts payable | 4,157,459 | 3,827,766 |
| Amount due to related parties (Note 13) | 2,406,808 | 1,295,361 |
| Accrued liabilities | 140,000 | 210,832 |
| Total | 6,704,267 | 5,333,959 |

As at December 31, 2023, the Company do not have outstanding government remittances.

## 15. INCOME TAXES

The following schedule reconciles the expected income tax expense (recovery) at the Canadian combined federal and provincial statutory rate of 26.5% (2022 – 26.5%) to the amounts recognized in the consolidated statements of loss and comprehensive loss:

| | | **December 31, 2023** | | **December 31, 2022** |
|---|---|---|---|---|
| Net Loss before recovery of income taxes | $ | (20,947,032) | $ | (15,745,097) |
| Expected income recovery expense | | (5,550,963) | | (4,172,451) |
| Difference in foreign tax rates | | - | | 382,619 |
| Tax rate changes and other adjustments | | 629,038 | | - |
| Share-based compensation and non-deductible expenses | | 352,137 | | 1,071,267 |
| Shares issuance costs recorded in equity | | - | | (174,349) |
| Change in tax attributes not recognized | | 4,569,788 | | 2,892,914 |
| Income tax (recovery) expense | $ | - | $ | - |

(EXPRESSED IN CANADIAN DOLLARS)

*Unrecognized deferred tax assets*

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Donations | 209,575 | 209,094 |
| Property and equipment | 178,581 | 354,801 |
| Convertible debenture | 119,000 | - |
| Share issuance cost | 603,752 | 897,602 |
| Foreign exchange | 5,000 | 36,311 |
| Non-capital losses carried forward | 19,274,290 | 14,602,960 |
| Capital loss | 3,954,000 | 3,699,206 |
| Total unrecognized deductible temporary differences | 24,344,198 | 19,799,974 |

The non-capital loss carry forwards expire as follows:

| Non-Capital Loss | Year of Expiration |
|---|---|
| 14,893,947 | 2043 |
| 14,002,389 | 2042 |
| 27,239,408 | 2041 |
| 4,211,771 | 2038 |
| 5,725,412 | 2037 |
| 1,834,005 | 2036 |
| 1,399,004 | 2035 |
| 389,521 | 2034 |
| 69,695,457 | |

As at December 31, 2023, the Company has 29,841,844 capital loses to carry forward.

Share issue and financing costs will be fully amortized in 2026. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

## 16. CAPITAL MANAGEMENT

The Company defines capital as all components of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management due to the nature of the Company's business. The Company does not pay dividends. The Company is not subject to any externally imposed capital requirements. There has been no changes in the Company's capital management since fiscal year 2022. Management reviews these policies on an ongoing basis.

(EXPRESSED IN CANADIAN DOLLARS)

## 17. CORRECTION OF ERRORS

Subsequent to the original issuance of the December 31, 2022 consolidated financial statements, management discovered certain errors in the financial statements for the prior year ended December 31, 2022, comprised of the following:

- Initial valuation of PanGenomic shares and warrants on disposition of Mindleap Health Inc adjusted valuation per share to $0.23, being the level 1 input on the date of closing. The total adjustment was $953,166;
- Subsequent valuation of PanGenomic shares and warrants as at December 31, 2022 adjusted the valuation of shares and warrants, using the level 1 input. The total adjustment was $1,378,968;
- Reclassification of certain statement of loss accounts;
  - Increase in director and management fees of $286,112 and decrease in consulting fees of $92,082, professional fees of $43,553 and salaries of $150,477.
  - Increase in research and development of $247,521 and decrease in forgiveness of accounts payable of $247,521.
- Subsequent valuation of derivative liabilities of $346,667 to $Nil and measurement of other financial liability of $399,774 pursuant to the subsequent valuation of Mindleap's anti-dilution clause; and,
- Overstatement of accounts payable of $37,957, effecting the following statement of loss accounts:
  - Increase in office and miscellaneous of $12,890
  - Increase in regulatory fees of $19,811
  - Increase in research and development of $171,242
  - Decrease in professional fees of $264,751
  - Decrease in consulting fees of $109,821
  - Decrease in income from discontinued operations of $132,672

The effects of the restatement on the consolidated statement of financial position as at December 31, 2022 are summarized below.:

| | Previously reported $ | Current year adjustments $ | Restated $ |
|---|---|---|---|
| Current assets | | | |
| Other current assets | 1,594,181 | - | 1,594,181 |
| Marketable securities | 5,617,885 | 2,332,134 | 6,950,019 |
| Total current assets | 6,212,066 | 2,332,134 | 8,544,200 |
| **Non-current assets** | 688,792 | - | 688,792 |
| **Total assets** | 6,900,858 | 2,332,134 | 9,232,992 |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 5,371,916 | (37,957) | 5,333,959 |
| Notes payable | 85,204 | - | 85,204 |
| Derivative liabilities | 346,667 | (346,667) | - |
| Other liability | - | 399,774 | 399,774 |
| Total current liabilities | 5,803,787 | 15,150 | 5,818,937 |
| **Non-current liabilities** | 4,696,974 | - | 4,696,974 |
| **Total liabilities** | 10,383,239 | 15,150 | 10,515,911 |
| **Shareholders' equity (deficiency)** | | | |
| Share capital and other | 132,881,913 | - | 132,881,913 |
| Deficit | (136,481,816) | 2,316,984 | (134,164,832) |
| **Total shareholders' equity (deficiency)** | (3,599,903) | 2,316,984 | (1,282,919) |
| **Total liabilities and shareholders' equity (deficiency)** | 6,900,858 | 2,332,134 | 9,232,992 |

(EXPRESSED IN CANADIAN DOLLARS)

Consolidated Statement of Loss and Comprehensive Loss for the year ended December 31, 2022:

| | Previously reported $ | Current year adjustments $ | Restated $ |
|---|---|---|---|
| **Expenses** | | | |
| Consulting | 5,321,179 | (201,903) | 5,119,276 |
| Director and management fees | 535,482 | 286,112 | 821,594 |
| Office and miscellaneous | 162,435 | 12,890 | 175,325 |
| Professional fees | 1,367,862 | (308,304) | 1,059,558 |
| Regulatory and filing fees | 113,382 | 19,811 | 133,193 |
| Research and development | 3,589,434 | (76,279) | 3,513,155 |
| Salaries | 1,669,181 | (150,477) | 1,518,704 |
| Other expenses | 4,717,459 | - | 4,717,459 |
| Total Expenses | (17,476,414) | 418,150 | (17,058,264) |
| **Other Income (Expenses)** | | | |
| Change in fair value of derivative liabilities | 627,869 | 346,667 | 974,536 |
| Unrealized gain (loss) on marketable securities | (418,011) | 1,378,968 | 960,957 |
| Other income | 93,656 | - | 93,656 |
| Change in financial liability | - | (399,774) | (399,774) |
| Loss on disposal of asset | (316,208) | - | (316,208) |
| Forgiveness of accounts payable | 247,521 | (247,521) | - |
| **Total other income (expenses)** | 234,824 | 1,078,340 | 1,313,167 |
| Loss from continuing operations | (17,241,587) | 1,496,490 | (15,745,097) |
| Income from discontinued operations | 5,674,911 | 820,494 | 6,495,405 |
| **Loss and comprehensive loss for the year** | (11,566,676) | 2,316,984 | (9,249,692) |
| | | | |
| **Basic and comprehensive loss per share** | (1.34) | 0.27 | (1.07) |
| **Weighted average number of common shares** | 8,647,471 | 8,647,471 | 8,647,471 |

**(EXPRESSED IN CANADIAN DOLLARS)**

Consolidated Statement of Cash Flow for the year ended December 31, 2022:

| **For the years ended,** | Previously reported $ | Prior year restatements $ | Restated $ |
|---|---|---|---|
| **Cash flows used in** | | | |
| Operating activities | | | |
| Net loss for the period from continuing operations | (17,241,587) | 1,496,490 | (15,745,097) |
| Items not affecting cash: | | | |
| Depreciation | 128,861 | - | 128,861 |
| Finance cost | 904,782 | - | 904,782 |
| Change in fair value of derivative liability | (627,869) | (346,667) | (974,536) |
| Unrealized foreign exchange gain | 11,020 | - | 11,020 |
| Change in fair value of marketable security | 418,011 | (1,378,968) | (960,957) |
| Gain on termination of lease | 316,208 | - | 316,208 |
| Gain on forgiveness of accounts payable | (247,521) | 247,521 | - |
| Change in financial liability | - | 399,774 | 399,774 |
| Changes in operating activities from continuing operations | (16,338,095) | 418,150 | (15,919,945) |
| Changes in operating activities from discontinued operations | (300,691) | (132,672) | (433,363) |
| **Changes in operating activities** | (16,638,786) | 285,478 | (16,353,308) |
| **Changes in non-cash working capital items:** | | | |
| Accounts receivable | (82,811) | - | (82,811) |
| Prepaids and deposits | 3,403,114 | - | 3,403,114 |
| Sales taxes receivable | (97,128) | - | (97,128) |
| Accounts payable and accrued liabilities | 4,987,682 | (285,478) | 4,702,204 |
| **Cash used in operating activities** | (8,427,929) | - | (8,427,929) |
| **Investing activities** | | | |
| **Net cash used in investing activities** | (37,542) | - | (37,542) |
| **Financing activities** | | | |
| **Net cash provided from financing activities** | 6,981,190 | - | 6,981,190 |
| **Increase in cash during the year** | (1,484,281) | - | (1,484,281) |
| **Cash, beginning of the year** | 1,495,311 | - | 1,495,311 |
| **Cash, end of the year** | 11,030 | - | 11,030 |

## 18. CONTINGENCIES

As at December 31, 2023, the Company has an outstanding payable balance of $865,456 to a research partner that is due on August 30, 2024 ("Due Date"). If the Company does not remit payment by the Due Date, the Company will incur a project cancellation fee of $1,400,000.

## 19. SUBSEQUENT EVENTS

On February 14, 2024, the Company concluded research and development work to date under an exclusive partnership with a not-for-profit organization and the parties agreed that the balance owed would be paid on or before August 30, 2024. Failure to make the payment by the due date can result in cancellation fee as disclosed in Note 18. On March 12, 2024, the parties agreed to a new two-year study with a budget of $4,931,135 in year one and $2,037,395 in year two.

On February 22, 2024, the Company issued 2,618,543 common shares and settled debt of $52,371 for legal services rendered.

On March 27, 2024, the Company issued 2,941,176 common shares and settled debt of $50,000 for legal services rendered.

On April 15, 2024, the Company issued 3,628,208 common shares and settled debt of $61,680 for accounting services rendered.