ENTHEON BIOMEDICAL CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED FEBRUARY 28, 2022 AND 2021

(Expressed in Canadian Dollars)
(Unaudited)

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed consolidated interim financial statements were prepared by management and approved by the Audit Committee and the Board of Directors.

The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

ENTHEON BIOMEDICAL CORP.
Condensed Consolidated Interim Statements of Financial Position
Expressed in Canadian Dollars

	February 28, 2022 (Unaudited) $	November 30, 2021 (Audited) $
Assets		
Current assets		
Cash	821,329	2,049,131
Other receivables	23,318	28,300
Inventory	28,146	26,188
Prepaid expenses	859,916	1,104,886
	1,732,709	3,208,505
Non-current assets		
Property and equipment, net (Note 4)	176,088	164,125
Intangible assets, net (Notes 3,5)	5,729,621	5,901,877
Investments (Note 6)	683,030	703,205
	6,588,739	6,769,207
	8,321,448	9,977,712
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	968,724	927,713
Shareholders' equity		
Share capital (Note 8)	19,353,525	19,353,525
Reserves (Note 8)	3,412,244	3,242,548
Deficit	(15,413,045)	(13,546,074)
	7,352,724	9,049,999
	8,321,448	9,977,712

NATURE OF BUSINESS AND GOING CONCERN (Note 1)

SUBSEQUENT EVENTS (Note 13)

Approved and authorized for issue on behalf of the Board on April 26, 2022:

"Timothy Ko", Director *"Christopher Gondi"*, Director

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

ENTHEON BIOMEDICAL CORP.
Condensed Consolidated Interim Statements of Comprehensive Loss
Expressed in Canadian Dollars
(Unaudited)

	For the three months ended February 28, 2022	**For the three months ended February 28, 2021**
	$	**$**
Revenue		
Sales	8,901	-
Cost of goods sold	(5,730)	-
	3,171	-
Operating expenses		
Research and development (Note 9)	700,533	601,745
General and administrative (Notes 7,10)	792,127	1,651,805
Share-based compensation	169,696	823,976
Depreciation and amortization	188,274	89,293
	1,850,630	3,166,819
Other (income) expense		
Gain on investment settlement	-	(320,000)
Interest income	(748)	(849)
Other income	85	-
Unrealized loss on fair value adjustment (Note 6)	20,175	37,667
	19,512	(283,182)
Net loss and comprehensive loss	(1,866,971)	(2,883,637)
Basic and diluted loss per share	$(0.03)	$(0.06)
Weighted average number of common shares outstanding	59,089,266	48,231,873

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

ENTHEON BIOMEDICAL CORP.
Condensed Consolidated Interim Statements of Changes in Equity
Expressed in Canadian Dollars
(Unaudited)

	Common Shares				
	Number of shares	Amount	Reserves	Deficit	Total
		$	$	$	$
Balance, November 30, 2020	40,388,852	7,146,773	1,257,626	(4,659,519)	3,744,880
Units issued for cash, net of transaction costs	4,286,020	2,921,201	162,169	-	3,083,370
Shares issued for acquisition of subsidiary	5,100,000	4,488,000	-	-	4,488,000
Share issued for R&D expenditures	900,000	738,000	-	-	738,000
Warrants exercised	3,364,394	2,597,551	(729,712)	-	1,867,839
Share-based compensation	-	-	823,976	-	823,976
Comprehensive loss for the period	-	-	-	(2,883,637)	(2,883,637)
Balance, February 28, 2021	54,039,266	17,891,525	1,514,059	(7,543,156)	11,862,428
Balance, November 30, 2021	59,089,266	19,353,525	3,242,548	(13,546,074)	9,049,999
Share-based compensation	-	-	169,696	-	169,696
Comprehensive loss for the period	-	-	-	(1,866,971)	(1,866,971)
Balance, February 28, 2022	59,089,266	19,353,525	3,412,244	(15,413,045)	7,352,724

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

ENTHEON BIOMEDICAL CORP.
Condensed Consolidated Interim Statements of Cash Flows
Expressed in Canadian Dollars
(Unaudited)

	For the three months ended February 28, 2022	For the three months ended February 28, 2021
	$	$
Cash provided by (used in):		
Operating activities		
Net loss for the period	(1,866,971)	(2,883,637)
Items not affecting cash:		
Depreciation and amortization	188,274	89,293
Gain on investment settlement	-	(320,000)
Share-based compensation	169,696	823,976
Unrealized loss on fair value adjustment	20,175	37,667
Changes in non-cash working capital balance:		
Other receivables	4,982	(3,678)
Inventory	(1,958)	-
Prepaid expenses	244,970	166,757
Accounts payable and accrued liabilities	41,011	(625,435)
Cash used in operating activities	(1,199,821)	(2,715,057)
Investing activities		
Cash acquired on acquisitions	-	406,179
Purchase of investments	-	(405,760)
Purchase of equipment	(27,981)	(1,336)
Cash provided by (used in) investing activities	(27,981)	(917)
Financing activities		
Proceeds from the exercise of warrants	-	1,867,839
Proceeds from issuance of common shares, net	-	3,083,370
Cash provided by financing activities	-	4,951,209
Increase (decrease) in cash	(1,227,802)	2,235,235
Cash, beginning of the period	2,049,131	2,787,006
Cash, end of the period	821,329	5,022,241
Supplemental disclosure of non-cash investing and financing activities:		
Conversion of investment in convertible notes	-	50,000
Shares issued for asset acquisition (note 3)	-	4,284,000
Shares issued for asset (note 3)	-	729,000
Supplemental cash flow disclosures:		
Income taxes paid	-	-
Interest paid	-	-

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

1. NATURE OF BUSINESS AND GOING CONCERN

Entheon Biomedical Corp. (formerly MPV Exploration Inc.) ("Entheon") or ("the Company") was incorporated on April 6, 2010 under the Canadian Business Corporations Act and maintains its head office at Suite 720, 999 West Broadway, Vancouver, British Columbia, Canada, V5Z 1K5 and registered office at 10th Floor, 595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5. The Company is traded on the Canadian Securities Exchange ("CSE") under symbol ENBI.

Entheon is a biotechnology research and development company committed to developing and commercializing a portfolio of safe and effective Dimethyltryptamine based psychedelic therapeutic products ("DMT Products") for the purposes of treating addiction and substance use disorders. Subject to obtaining all requisite regulatory approvals and permits, Entheon intends to generate revenue through the sale of its DMT Products to physicians, clinics and licensed psychiatrists in the United States, certain countries in the European Union and throughout Canada.

On June 30, 2020, the Company entered into an amalgamation agreement, as amended on October 9, 2020 (the "Amalgamation Agreement") with the former Entheon Biomedical Corp. ("Former Entheon") and 1254912 B.C. Ltd. ("Subco"), a wholly-owned subsidiary of the Company, whereby the Company acquired all of the issued and outstanding shares of Former Entheon pursuant to a three-cornered amalgamation (the "Transaction").

In connection with the Transaction and pursuant to the terms of the Amalgamation Agreement: (i) Subco completed a non-brokered private placement of 4,117,886 subscription receipts ("Subco Subscription Receipts") at a price of $0.375 per Subco Subscription Receipt for gross proceeds of $1,544,207. The Company issued 100,000 subscription receipts to finders and paid share issuance costs of $47,830 in cash. The Company also issued 211,897 finder's warrants with an exercise price of $0.375 expiring in two years. The fair value of the finder's warrants totaled $79,281; (ii) the Company completed a name change from "MPV Exploration Inc." to "Entheon Biomedical Corp."; (iii) the Company completed a consolidation (the "Consolidation") of its issued and outstanding common shares ("Common Shares") on the basis of one post-Consolidation Common Share for every three pre-Consolidation Common Shares; and (iv) Former Entheon amalgamated with Subco under subsection 269 of the Business Corporations Act (British Columbia).

In accordance with the Amalgamation Agreement, the shareholders of Former Entheon ("Former Entheon Shareholders") were issued one post-Consolidation Common Share for every one Former Entheon Share held immediately prior to the completion of the Transaction. The Company issued 34,063,692 of its common shares to acquire all of the 34,063,692 issued and outstanding shares of Former Entheon and the amalgamated entity changed its name to Entheon Holdings Corp. ("Entheon Holdings"). All 4,652,978 outstanding share purchase warrants of Former Entheon were adjusted such that, upon exercise or conversion, the holders will receive Common Shares (on a post Consolidation basis) in lieu of Former Entheon Shares, on a one-for-one basis.

1. NATURE OF BUSINESS AND GOING CONCERN, continued

For accounting purpose, the acquisition is considered to be outside the scope of IFRS 3 *Business Combinations* ("IFRS 3") as the Company did not constitute a business prior to the Transaction. As a result, the acquisition is accounted for in accordance with IFRS 2 *Share-based Payment* whereby Entheon Holdings is deemed to have issued shares and warrants in exchange for the net assets of the Company together with its listing status at the fair value of the consideration deemed received by Entheon Holdings. Entheon Holdings is deemed to be the continuing entity for accounting purposes.

In connection with the Transaction, the Company has assigned or disposed of all existing mineral resource properties, including the Company's rights under the option agreement dated March 31, 2017 between the Company and Les Ressources Tectonic Inc. as it relates to the UMEX project. In this regard, the Company entered into a binding agreement following a tender process on August 5, 2020 pursuant to which it has agreed to sell its interest in the UMEX project for a cash consideration of $278,000. The sale closed upon completion of the Transaction.

During the year ended November 30, 2021, the Company acquired all the common shares of HaluGen Life Sciences Inc. ("HaluGen") by issuing 5,100,000 common shares of the Company (note 3). The acquisition was closed on January 14, 2021 and HaluGen became a wholly-owned subsidiary of the Company. The Company also acquired all the common shares of Lobo Genetics Inc. ("Lobo") by issuing 5,000,000 common shares of the Company (note 3). The acquisition was closed on July 29, 2021 and Lobo became a wholly-owned subsidiary of the Company.

These unaudited condensed consolidated interim financial statements are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. At present, the Company's operations do not generate cash flow. The Company has incurred losses since inception and had an accumulated deficit of $15,413,045 as at February 28, 2022. In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Should the Company identify a suitable asset or business acquisition, it would be required to raise additional capital to finance the transaction.

The continuing operations of the Company are dependent upon its ability to generate net income, manage cash on hand by reducing costs and expenses, and to raise adequate financing. The March 2020 pandemic outbreak of COVID-19 could have a negative impact on the Company's ability to raise new capital. The aforementioned factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

These unaudited condensed consolidated interim financial statements do not include adjustments that would be required if the going concern assumption is not an appropriate basis for preparation of the unaudited condensed consolidated interim financial statements. These adjustments could be material.

These unaudited condensed consolidated interim financial statements were authorized for issue on April 26, 2022 by the directors of the Company.

2. BASIS OF PREPARATION

Basis of Presentation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard IAS 34 – Interim Financial Reporting. The accounting policies, methods of computation and presentation applied in these unaudited condensed consolidated interim financial statements are consistent with those of the previous fiscal year. These unaudited condensed consolidated interim financial statements reflect the accounting policies and disclosures described in Notes 2 to the Company's audited consolidated financial statements for the year ended November 30, 2021, and accordingly, should be read in conjunction with those audited consolidated financial statements and the notes thereto.

Basis of measurement

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values. In addition, these unaudited condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of consolidation

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries, Entheon Holdings, HaluGen and Lobo. All significant intercompany accounts and transactions between the Company and its subsidiary have been eliminated upon consolidation.

Foreign currency transactions

The functional currency for Entheon and its wholly-owned subsidiaries including Entheon Holdings, HaluGen and Lobo, is the Canadian dollar. Transactions in currencies other than the functional currency of the reporting entity are recorded at rates of exchange prevailing on the dates of such transactions. Monetary assets and liabilities that are denominated in currencies other than the functional currency are translated at rates prevailing at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in the foreign currency are not re-translated.

Significant estimates and judgements

The preparation of these unaudited condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the unaudited condensed consolidated interim financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. Significant areas requiring the use of management estimates include:

i) The determination of discount rate and effective interest rates on liability and equity components of the convertible notes. Changes in these assumptions could materially affect the recorded amounts.

2. BASIS OF PREPARATION, continued

Significant estimates and assumptions, continued

ii) The determination of fair value of investments in convertible notes and equity securities requires valuation techniques. In applying the valuation techniques management makes maximum use of market inputs wherever possible, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, company-specific information is considered when determining whether the fair value of an investment in convertible notes or equity securities should be adjusted upward or downward at the end of each reporting period. In addition to company-specific information, the Company will take into account trends in general market conditions and the share performance of comparable publicly-traded companies when valuing investments in convertible notes and equity securities.

iii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts.

iv) The valuation of options and warrants requires estimation and assumptions for valuation techniques. Changes in such assumptions and estimates could materially impact the recorded amounts.

Significant judgments

The preparation of these unaudited condensed consolidated interim financial statements requires management to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's unaudited condensed consolidated interim financial statements include:

i) The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its projects and working capital requirements and whether there are events or conditions that may give rise to significant uncertainty.

ii) The determination of whether a business combination or an asset acquisition involves judgment regarding whether the acquiree meets the definition of business under IFRS 3. The application of the Company's accounting policy for business combinations requires management to make certain judgments on a case-by-case basis as to the determination of the accounting method of an acquisition to determine if the assets acquired meet the definition of a business requiring the acquisition method of accounting for a business combination or an asset acquisition when applying the optional asset concentration test.

iii) Amortization of intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgement. In addition, the assessment of any impairment of these assets is dependent upon recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

2. BASIS OF PREPARATION, continued

Business combinations

The acquisition method of accounting is used to account for acquisitions of businesses and assets that meet the definition of a business under IFRS. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets acquired, the difference is recognized immediately in profit or loss. Business combination associated transaction costs are expensed when incurred. Within the IFRS Business Combinations guidance, there is an optional fair value concentration test. The concentration test is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If an entity chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process, and the acquisition is accounted for as a business combination. The cost of an acquisition that does not meet the definition of a business under IFRS and does not qualify as a business combination is measured as the fair value of the consideration given and liabilities incurred or assumed at the date of exchange. No goodwill arises on an asset acquisition and the cost of the assets acquired and liabilities assumed are allocated to the assets and liabilities on the basis of their relative fair values at the date of purchase. Asset acquisition associated transaction costs are capitalized as a cost of the acquisition.

Revenue Recognition

The Company derives revenue from the sale of its psychedelic genetic test. Revenue is recognized upon transfer of control of the promised goods and services to customers in an amount that reflects the consideration of the Company expects to receive in exchange for those goods or services. Performance obligations are satisfied, and revenue is recognized, either over time or at a point in time. Certain activities may give rise to deferred revenue, which are contract liabilities under IFRS 15 and relate to payments received in advance of performance under contracts with customers. Contract liabilities are recognized as revenue as (or when) the Company satisfies its performance obligations under the contracts. Revenue from the sale of the psychedelic genetic test is recognized when the customer places the order, a sales receipt is issued and payment is made which typically happens simultaneously, and products are received by the customer.

Intangible Assets

Intangible assets consist mainly of purchased developed technology or in process research and development, licenses and technology for DMT products. Intangible assets are carried at cost and will be amortized over their expected useful lives as disclosed in note 5. The Company's intangible assets are subject to impairment testing when there are indicators of impairment. Any impairment of intangible assets is recognized in the unaudited condensed consolidated interim statement of comprehensive loss but increases in intangible asset values are not recognized. Estimated useful lives of intangible assets are shorter of the economic life and the period the right is legally enforceable. The assets' useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. Research costs are expensed as incurred. Development costs are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

2. BASIS OF PREPARATION, continued

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Amortization is charged over the estimated useful lives on a straight-line basis as follows:

Computer equipment	3 - 5 years
Leasehold improvement	over the shorter of the lease term or 10 years
Lab equipment and systems	3 years

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

2. BASIS OF PREPARATION, continued

Leases

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received. The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The lease term is determined as the non-cancellable periods of a lease, together with periods covered by a renewal option if the Company is reasonably certain to exercise that option and a termination option if the Company is reasonably certain not to exercise that option. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension, or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term. During the three months ended February 28, 2022, all of the Company's leases are short-term leases with a term of 12 months or less and are recorded as operating leases.

2. BASIS OF PREPARATION, continued

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's preferred shares, common shares and options are classified as equity instruments.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in private placements is determined to be the more easily measurable component as they are valued at their fair value which is determined by the closing price on the issuance date. The remaining balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded to reserves. If the warrants expire unexercised, the value attributed to the warrants is transferred to share capital.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax.

Loss per share

Basic loss per share is computed by dividing net loss available to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the reporting period where ordinary shares include Common shares and Class B common shares. If applicable, diluted income per share is computed similar to basic income per share except that the weighted average shares outstanding are increased to include potential ordinary shares for the assumed exercise of share options, warrants, and convertible debentures, if dilutive. The number of potential ordinary shares is calculated by assuming that outstanding share options, warrants and convertible debentures were exercised or converted and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. For the periods presented, this calculation proved to be anti-dilutive.

Share-based compensation

Share-based compensation to employees is measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share option reserve. The Company records stock-based compensation expense for service-based stock options on a graded method over the requisite service period. The Company records stock-based compensation expense for non-market performance-based stock options on a graded method over the requisite service period, and only if performance-based conditions are considered probable to be satisfied.

The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

2. BASIS OF PREPARATION, continued

Share-based compensation, continued

The Company transfers the value of forfeited and expired unexercised vested stock options and compensatory warrants to deficit or share capital from reserves on the date of expiration based on the nature of the item.

Income taxes

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

Deferred income tax - Deferred income tax is provided for based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

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

Research and development

Development expenditures can be capitalized only where a development project meets certain conditions, including technical feasibility of the intangible asset, intention to complete the project, ability to sell the intangible asset, probability that the intangible asset can produce future economic benefits, availability of resources to complete the project, and ability to reliably measure the expenditure attributable to the intangible asset. Development projects are reviewed as they arise and on an on-going basis to assess whether all conditions have been met. Amortization is calculated over the cost of the asset, or revalued amount, less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION, continued

New accounting standards issued but not yet effective

A number of new standards and amendments to existing standards have been issued by the IASB that are mandatory for accounting periods beginning on or after January 1, 2020, or later periods. The Company has not early adopted these new standards in preparing these unaudited condensed consolidated interim financial statements. There new standards are either not applicable or are not expected to have a significant impact on the Company's financial statements.

3. ASSET ACQUISITIONS

On January 14, 2021, the Company, HaluGen and the shareholders of HaluGen ("HaluGen Shareholders") entered into a share exchange agreement pursuant to which the Company agreed to purchase all of the issued and outstanding shares of HaluGen from the HaluGen Shareholders in exchange for an aggregate of 5,100,000 common shares of the Company (the "HaluGen Transaction"). The HaluGen Transaction closed on the same day and the Company's stock price was $0.84. The fair value of the common shares was determined to be $4,284,000. HaluGen is a biotech company in the business of developing and commercializing a pre-screening test to identify genetic markers predictive of an individual's reaction to hallucinogenic drugs.

For accounting purpose, the acquisition is considered to be outside the scope of IFRS 3 *Business Combinations* ("IFRS 3") as the Company did not constitute a business prior to the HaluGen Transaction. As a result, the acquisition is accounted for in accordance with IFRS 2 *Share-based Payment* whereby the Company deemed to have issued shares in exchange for the net assets of HaluGen at the fair value of the consideration deemed received by the Company.

The allocation of the consideration for the purposes of the unaudited condensed consolidated interim statement of financial position is as follows:

Net assets acquired:	**$**
Current assets	417,861
Current liabilities assumed	(37,002)
Intangible asset – Developed technology	3,934,939
Net assets acquired	4,315,798
Consideration given:	
Value of common shares issued by the Company (5,100,000 shares @ $0.84 per share)	4,284,000
Legal and other transaction costs	31,798
	4,315,798

In connection with the HaluGen Transaction, the Company entered into an amended Product Development Agreement with Lobo Genetics Inc. ("Lobo"). On February 24, 2021, the Company issued 900,000 common shares to Lobo for fulfillment of the performance milestones in accordance with Product Development Agreement. The fair value of the common shares was determined to be $729,000 based on a stock price of $0.81. The fair value of the common shares was added to the intangible asset.

(Expressed in Canadian dollars)

3. ASSET ACQUISITIONS, continued

On July 29, 2021, the Company completed its acquisition of Lobo. Pursuant to the amalgamation agreement with Lobo and 13089363 Canada Inc., a wholly-owned subsidiary of Entheon, whereby the Company issued 5,000,000 of its common shares to acquire all of the issued and outstanding shares of Lobo, pursuant to a three-cornered amalgamation (the "Lobo Transaction"). The fair value of the common shares was determined to be $1,650,000 or $0.33 per share, based on the price of the Company's shares. Lobo is a personalized genetics company with a direct-to-consumer platform currently being used in both the psychedelics and cannabis spaces to provide personalized insights into an individual's response to hallucinogenic and psychoactive drugs.

The Company applied the optional concentration test permitted under IFRS 3 to the acquisition which resulted in the acquired assets being accounted for as an asset acquisition. As such the purchase price was allocated to the identifiable assets and liabilities based on their relative fair values at the date of acquisition.

The allocation of the consideration for the purposes of the unaudited condensed consolidated interim statement of financial position is as follows:

Net assets acquired:	**$**
Current assets	81,357
Current liabilities assumed	(159,979)
Property and equipment	95,547
Intangible asset – Developed technology	1,689,883
Net assets acquired	1,706,808

Consideration given:	
Value of common shares issued by the Company (5,000,000 shares @ $0.33 per share)	1,650,000
Legal and other transaction costs	56,808
	1,706,808

(Expressed in Canadian dollars)

4. PROPERTY AND EQUIPMENT

	Computer Equipment	Laboratory Equipment and Systems	Leasehold Improvements	Total
Cost	$	$	$	$
As at November 30, 2021	18,713	144,312	39,195	202,220
Additions	-	27,981	-	27,981
As at February 28, 2022	18,713	172,293	39,195	230,201
Accumulated depreciation				
As at November 30, 2021	9,078	21,891	7,126	38,095
Depreciation	1,685	8,989	5,344	16,018
As at February 28, 2022	10,763	30,880	12,470	54,113
Carrying amount				
Balance, November 30, 2021	**9,635**	**122,421**	**32,069**	**164,125**
Balance, February 28, 2022	**7,950**	**141,413**	**26,725**	**176,088**

5. INTANGIBLE ASSETS

	Developed Technology – HaluGen (i)	Developed Technology - Lobo (ii)	Total
Cost	$	$	$
As at November 30, 2021	4,663,939	1,689,883	6,353,822
As at February 28, 2022	4,663,939	1,689,883	6,353,822
Accumulated amortization			
As at November 30, 2021	395,615	56,330	451,945
Amortization	129,126	43,130	172,256
As at February 28, 2022	524,741	99,460	624,201
Net Book Value			
Balance, November 30, 2021	**4,268,324**	**1,633,553**	**5,901,877**
Balance, February 28, 2022	**4,139,198**	**1,590,423**	**5,729,621**

(Expressed in Canadian dollars)

5. INTANGIBLE ASSETS, continued

(i) The intangible asset consists of research and development for psychedelic products which was acquired through the acquisition of HaluGen and milestone completion payment (note 3). The intangible asset is being amortized over a useful life of 10 years.

(ii) The intangible asset consists of research and development for psychedelic products which was acquired through the acquisition of Lobo (note 3). The intangible asset is being amortized over a useful life of 10 years.

6. INVESTMENTS

Continuity for the three months ended February 28, 2022 is as follows:

Investments Measured at FVTPL	Mydecine Innovation Group Inc. Common Shares (a)	Global Health Clinics Ltd. Common Shares (b)	Heading Health LLC Preferred Shares	Total
Balance, November 30, 2021	$ 33,709	$ 113,044	$ 556,452	$ 703,205
Fair value adjustment	(8,870)	(11,305)	-	(20,175)
Balance, February 28, 2022	$ 24,839	$ 101,739	$ 556,452	$ 683,030

(a) On February 28, 2022, Mydecine stock price was $0.14 per share. The fair value of the common shares was determined to be $24,839 based on market value and the Company recorded an unrealized loss of fair value adjustment of $8,870,.

(b) On February 28, 2022, Global Health stock price was $0.045 per share. The fair value of the common shares was determined to be $101,739 based on market value and the Company recorded an unrealized loss of fair value adjustment of $11,304.

7. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel comprise the Company's Board of Directors, Chief Executive Officer, Chief Financial Officer, Chief Science Officer and Director of Operations, Chief Business Officer, and Corporate Secretary. Key management personnel compensation is comprised of the following:

	For the three months ended February 28, 2022	**For the three months ended February 28, 2021**
	$	**$**
Payroll, consulting fees, and other benefits	139,617	107,115

As at February 28, 2022, $11,148 (February 28, 2021 - $16,923) was due to directors and officers and companies controlled by directors and officers. The amounts are unsecured, non-interest bearing, due on demand and included in accounts payable and accrued liabilities. During the thee months ended February 28, 2022, the share-based compensation for these related parties totaled $87,885 (February 28, 2021 - $596,849).

8. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value

Issued and outstanding

As of February 28, 2022 there were 59,089,266 (February 28, 2021 - 54,039,266) common shares issued and outstanding.

<u>During the three months ended February 28, 2022:</u> The Company did not have any share transactions.

<u>During the three months ended February 28, 2021:</u>

a) On December 23, 2020, the Company completed the first tranche of a non-brokered private placement financing for total gross proceeds of $3,174,374 (the "December 2020 Placement"). The Company allotted and issued 4,232,499 units (the "December Units") at a price of $0.75 per December Unit. Each December Unit is comprised of one common share of the Company and one-half of one non-transferable warrant of the Company. Each warrant entitles the holder to purchase one additional common share of the Company for a period of two (2) years at a price of $1.00 per share, subject to accelerated expiry. In the event that, after four months and one day from issuance, the Company's common share trade at a closing price at or greater than $1.50 per share for a period of 10 consecutive trading days, the Company may accelerate the expiry date of the warrants by giving notice to the holders thereof, and in such case, the warrants will expire on the 30th day after the date on which such notice is given by the Company (the "Acceleration Right"). There was no value allocated to the warrants based on the residual method. Additionally, in connection with the December 2020 Placement, the Company paid finder's fees totaling $126,367 and issued an aggregate 168,490 finder's warrants (the "Finder's Warrant") with a total fair value of $162,169 using the Black Scholes Option Pricing Model to arm's-length parties. Each Finder's Warrant is exercisable into one December Unit for a period of up to two years at a price of $0.75. The Company also paid other share issuance costs of $4,778 in cash.

b) On January 11, 2021, the Company closed the second tranche of the December 2020 Placement for additional proceeds of $40,141. Pursuant to this second trance, the Company issued 53,521 December Units, all of which are also subject to the Acceleration Right noted above. There was no value allocated to the warrants based on the residual method

c) On January 14, 2021, the Company completed its acquisition of HaluGen. Pursuant to the share exchange agreement among the Company, HaluGen and the shareholders of HaluGen, the Company acquired all of the issued and outstanding shares in the capital of HaluGen in exchange for 5,100,000 of the Company's common shares which were issued to the shareholders of HaluGen at a fair value of $0.84 per share. The issued common shares of the Company are subject to contractual restrictions on transfer, with 25% released at closing of the acquisition, and 25% to be released on the dates that are 4, 8, and 12 months following the closing date of the acquisition, respectively.

d) On February 25, 2021, the Company allotted and issued 900,000 common shares to Lobo for fulfilling its performance milestone in accordance with a product development agreement among the Company, HaluGen and Lobo. The common shares are subject to a hold period of four months and one day.

(Expressed in Canadian dollars)

8. SHARE CAPITAL, continued

Stock options

The shareholders of the Company approved a share option plan (the "Options Plan") whereby the Board of Directors may grant to directors, officers, employees and suppliers of the Company share purchase options to acquire common shares of the Company. The terms of each share purchase option are determined by the Board of Directors. Options granted pursuant to the Options Plan shall vest and become exercisable by an optionee at such time or times as may be determined by the Board.

The aggregate number of common shares reserved for issuance pursuant to this Options Plan to all Participants shall not exceed 10% of the issued and outstanding common shares at the time of grant and the maximum number of common shares, which may be reserved for issuance to any optionee, may not exceed 10% of the outstanding common shares at the time of vesting and may not exceed 10% of the outstanding common shares to insiders within a one-year period. These options will expire no later than five years after being granted.

The exercise price per share is established by the Board at the time the option is granted, but, in the event that the common shares are traded on an exchange, the exercise price shall not be less than the closing price of the common shares on the exchange on the trading day immediately preceding the date of the option grant.

A continuity schedule of outstanding share purchase options is as follows:

	Number Outstanding	Weighted Average Exercise Price
		$
November 30, 2021	3,675,000	0.65
Forfeited	(250,000)	0.71
February 28, 2022	3,425,000	0.64

As of February 28, 2022, the Company had share purchase options outstanding and exercisable to acquire common shares of the Company as follows:

Grant Date	Expiry Date	Number of options	Exercisable		Exercise Price
December 3, 2020	December 3, 2025	2,825,000	1,637,500	$	0.71
July 29, 2021	July 29, 2026	200,000	50,000	$	0.33
July 30, 2021	July 30, 2026	200,000	50,000	$	0.355
August 25, 2021	August 25, 2026	200,000	50,000	$	0.32
		3,425,000	1,787,500	$	0.64

During the three months ended February 28, 2022, the weighted average fair value at grant date of the options granted was $0.66, using Black Scholes Option Pricing Model with the following assumptions:

8. SHARE CAPITAL, continued

Stock options, continued

On December 3, 2020, the Company issued 3,175,000 options to certain officers, directors and consultants. The fair value has been estimated using Black Scholes Option Pricing Model with the following assumptions (i) expected volatility of 125%, (ii) risk-free interest rate of 0.24%, (iii) dividend yield of 0%, (iv) stock price on grant date of $0.73, (v) exercise price of $0.71, (vi) forfeiture rate of 0%, and (vii) expected life of 5 years.

On March 19, 2021, the Company issued 50,000 options to a certain consultant. The fair value has been estimated using Black Scholes Option Pricing Model with the following assumptions (i) expected volatility of 120%, (ii) risk-free interest rate of 0.97%, (iii) dividend yield of 0%, (iv) stock price on grant date of $0.77, (v) exercise price of $0.71, (vi) forfeiture rate of 0%, and (vii) expected life of 5 years.

On July 29, 2021, the Company issued 200,000 options to a certain consultant. The fair value has been estimated using Black Scholes Option Pricing Model with the following assumptions (i) expected volatility of 116%, (ii) risk-free interest rate of 0.83%, (iii) dividend yield of 0%, (iv) stock price on grant date of $0.355, (v) exercise price of $0.33, (vi) forfeiture rate of 0%, and (vii) expected life of 5 years.

On July 30, 2021, the Company issued 200,000 options to certain consultants. The fair value has been estimated using Black Scholes Option Pricing Model with the following assumptions (i) expected volatility of 116%, (ii) risk-free interest rate of 0.83%, (iii) dividend yield of 0%, (iv) stock price on grant date of $0.34, (v) exercise price of $0.355, (vi) forfeiture rate of 0%, and (vii) expected life of 5 years.

On August 25, 2021, the Company issued 200,000 options to certain consultants. The fair value has been estimated using Black Scholes Option Pricing Model with the following assumptions (i) expected volatility of 114%, (ii) risk-free interest rate of 0.90%, (iii) dividend yield of 0%, (iv) stock price on grant date of $0.32, (v) exercise price of $0.32, (vi) forfeiture rate of 0%, and (vii) expected life of 5 years.

The share-based compensation from stock options for the three months ended February 28, 2022 totalled $127,958.

Restricted share units

The shareholders of the Company approved a restricted share unit plan (the "RSU Plan") whereby the Board of Directors may grant to directors, officers, employees and consultants of the Company restricted share units (“RSUs”) to acquire common shares of the Company. The terms of each RSU are determined by the Board of Directors. The grant of an RSU shall entitle the participant to the conditional right to receive for each RSU credited to the participant’s account, at the election of the Company, either one Common Share or an amount in cash, net of applicable taxes and contributions to government sponsored plans, as determined by the Board, equal to the market price of one Common Share for each RSU credited to the participant’s account on the settlement date, subject to the conditions set out in the RSU Grant Letter and in the RSU Plan, and subject to all other terms of the RSU Plan.

The maximum number of Common Shares made available for issuance pursuant to the RSU Plan shall be determined from time to time by the Board, but in any case, shall not exceed 10% of the Common Shares issued and outstanding from time to time, less any Common Shares reserved for issuance under all other Share Compensation Arrangements, subject to adjustments as provided in the RSU Plan.

(Expressed in Canadian dollars)

8. SHARE CAPITAL, continued

Restricted share units, continued

A continuity schedule of outstanding share RSUs is as follows:

	Number Outstanding
November 30, 2021	1,150,000
February 28, 2022	1,150,000

The share-based compensation from RSUs for the three months ended February 28, 2022 totalled $41,738.

Share purchase warrants

A continuity schedule of outstanding share purchase warrants is as follows:

	Number Outstanding	**Weighted Average Exercise Price**
		$
November 30, 2021	8,285,940	0.68
Expired	(1,327,500)	0.50
February 28, 2022	6,958,440	0.72

During the three months ended February 28, 2022, there were 1,327,500 share purchase warrants expired.

As of February 28, 2022, the Company had share purchase warrants outstanding and exercisable to acquire common shares of the Company as follows:

Expiry Date	**Number of convertible/ exchangeable securities outstanding**	**Number of listed securities issuable upon conversion/ exercise**		**Exercise Price**
June 3, 2022	2,361,696	2,361,696	$	0.60
September 3, 2022	211,297	316,945		0.375
November 5, 2022	2,073,943	2,073,943		0.60
December 24, 2022	2,116,253	2,116,253		1.00
December 24, 2022	168,490	252,735		0.75
January 11, 2023	26,761	26,761		1.00
	6,958,440	7,148,333	$	0.72

(Expressed in Canadian dollars)

9. RESEACH AND DEVELOPMENT EXPENSE

Research and development expenses consist of the following:

	For the three months ended Feb 28, 2022	For the three months ended Feb 28, 2021
	$	$
Clinical research and regulatory	519,371	221,638
Digital experience development	-	20,706
EEG project expansion	65,569	290,000
Management, consulting, payroll	82,240	68,267
Professional fees	33,353	1,134
	700,533	601,745

10. GENERAL AND ADMINSTRATIVE EXPENSE

General and administrative expenses consist of the following:

	For the three months ended Feb 28, 2022	For the three months ended Feb 28, 2021
	$	$
Management, consulting, payroll	452,197	370,045
Marketing and travel	51,495	1,023,217
Professional fees	63,005	57,083
Office and insurance	177,032	177,727
Transfer agent and filing fees	48,398	23,733
	792,127	1,651,805

11. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the research and development of psychedelic compounds.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new common shares, sell assets, reduce debt or increase its debt. The capital of the Company comprises the shareholders' equity. The Company is not subject to any externally imposed capital requirements

(Expressed in Canadian dollars)

12. FINANCIAL INSTRUMENTS

Fair Values and Classification

The Company's financial instruments consist of cash and cash equivalents, investment in convertible notes, investments in equity securities, accounts payable and convertible notes. Financial instruments are classified into one of the following categories: FVTPL, FVTOCI, or amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	**Category**	**February 28, 2022**	**November 30, 2021**
Cash	FVTPL	$ 821,329	$ 2,049,131
Investments	FVTPL	683,030	703,205
Accounts payable	Amortized cost	968,724	927,713

IFRS 9 Financial Instruments: Disclosures establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash of $821,329 and investments in equity securities of public companies of $126,578 are recorded at fair value and classified as level 1. Investment in convertible notes and investment in some private company's equity of $556,452 are recorded at fair value and classified as level 3. The carrying amounts of the Company's accounts payable and convertible notes payable are a reasonable approximation of their fair values based on current market rates for similar financial instruments.

Financial instrument risk exposure

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, and market risk.

(a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company has exposure to credit risk through its cash and cash equivalents. The Company manages credit risk, in respect of cash, by maintaining the majority of cash at highly rated financial institutions.

The Company's maximum exposure to credit risk at the end of any period is equal to the carrying amount of these financial assets as recorded in the statement of financial position. At February 28, 2022 and November 30, 2021, no amounts were held as collateral.

(Expressed in Canadian dollars)

12. FINANCIAL INSTRUMENTS, continued

(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required by its operating, investing and financing activities. The Company had cash at February 28, 2022, in the amount of $821,329 and working capital of $763,985 in order to meet short-term business requirements. Accounts payable have contractual maturities of approximately 30 to 90 days or are due on demand and are subject to normal trade terms.

The maturity profiles of the Company's contractual obligations and commitments as at February 28, 2022, are summarized as follows:

	Total	Less Than 1 Year	1-5 years	More Than 5 Years
Accounts payable	$ 968,724	$ 968,724	$ -	$ -
Total	$ 968,724	$ 968,724	$ -	$ -

(c) Market Risk

Market risk consists of interest rate risk, foreign currency risk and price risk. These are discussed further below.

Interest Rate Risk

Interest rate risk consists of two components:

(i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(ii) To the extent that changes in prevailing market rates differ from the interest rates on the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

In management's opinion, the Company is not exposed to significant interest rate risk as the risk is primarily on cash and cash equivalents.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not subject to significant foreign exchange risk.

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk.

The Company is exposed not exposed to any significant price risk.

13. SUBSEQUENT EVENTS

On March 28, 2022, the Company entered into two loan agreements with arm's length parties for the aggregate amount of $300,000. The loans are unsecured, bear no interest, and are payable in full upon the completion of the Company's next private placement equity or debt financing. Pursuant to the loan agreements, the principals will be repaid by the issuance of the Company's warrants calculated on the pre-determined formula.