LEXSTON LIFE SCIENCES CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MAY 31, 2023 AND 2022

(EXPRESSED IN CANADIAN DOLLARS)

WDM CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

To the Shareholders of:
LEXSTON LIFE SCIENCES CORP.

SERVICE

INTEGRITY

TRUST

Opinion

We have audited the consolidated financial statements of Lexston Life Sciences Corp. and its subsidiaries (collectively "the Company"), which comprise the consolidated statements of financial position as at May 31, 2023, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company used cash of $987,741 for operating activities and incurred a net loss of $1,108,744 during the year ended May 31, 2023, and as of that date, had accumulated losses since inception of $3,512,029. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements for the year ended May 31, 2022 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on September 22, 2022.

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 of the current period. These matters were addressed in the context 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.

We have determined that there are no key audit matters to communicate in our auditor's report.

Other Information

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

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

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

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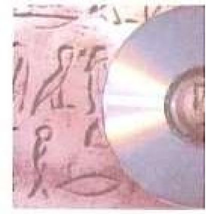
We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company 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 Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

WDM

Chartered Professional Accountants

Vancouver, B.C.
August 28, 2023

LEXSTON LIFE SCIENCES CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MAY 31, 2023 AND 2022
(Expressed in Canadian dollars)

	Note	**2023** $	2022 $
ASSETS			
Current assets			
Cash		**510,995**	590,494
Accounts receivable	5	**6,350**	37,565
Prepaid expenses and advances	13	**240,325**	187,387
Total current assets		**757,670**	815,446
Non-current assets			
Investment	7	**1**	29,000
Property and equipment	9	**56,631**	108,353
Total non-current assets		**56,632**	137,353
TOTAL ASSETS		**814,302**	952,799
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**11,207**	79,088
Total current liabilities		**11,207**	79,088
Shareholders' equity			
Share capital	10	**4,163,662**	3,276,996
Share-based payment reserves	10,12	**151,462**	793,059
Deficit		**(3,512,029)**	(3,196,344)
Total shareholders’ equity		**803,095**	873,711
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY		**814,302**	952,799

Nature of operations and continuance of business (Note 1)
Subsequent event (Note 15)

Approved and authorized for issuance by the Board of Directors on August 28, 2023:

/s/ Clinton Sharples
Clinton Sharples, Director

/s/ Jagdip Bal
Jagdip Bal, Director

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

LEXSTON LIFE SCIENCES CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022
(Expressed in Canadian dollars)

	Note	**2023** **$**	2022 $
Revenues	8	**–**	361,011
Cost of sales		**–**	119,524
Gross profit		**–**	241,487
Operating expenses			
Advertising and promotion		**172,900**	303,252
Amortization	9	**29,800**	31,982
Bad debt expense	5	**–**	135,964
Consulting fees	13	**290,008**	148,079
Management fees	13	**218,825**	70,000
Office and miscellaneous		**21,309**	28,489
Professional fees		**96,274**	129,005
Regulatory and transfer agent fees		**65,538**	78,142
Rent		**34,268**	20,270
Research and development (recovery)		**(19,167)**	125,448
Salaries and benefits	13	**33,604**	456,413
Share-based compensation	12,13	**129,886**	707,199
Travel		**578**	6,865
Total operating expenses		**1,073,823**	2,241,108
Net loss before other income (expense)		**(1,073,823)**	(1,999,621)
Other income (expense)			
Gain on settlement of debt		**–**	13,400
Impairment of intangible assets	4	**–**	(287,993)
Loss on disposal of equipment		**(5,922)**	–
Unrealized loss on investment	7	**(28,999)**	(46,000)
Total other income (expense)		**(34,921)**	(320,593)
Net loss and comprehensive loss		**(1,108,744)**	(2,320,214)
Loss per share, basic and diluted		**(0.04)**	(0.21)
Weighted average number of shares outstanding, basic and diluted		**28,580,063**	11,162,186

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

LEXSTON LIFE SCIENCES CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED MAY 31, 2023 AND 2022
(Expressed in Canadian dollars)

	Share capital		Share-based payment		
	Number of shares	Amount $	reserves $	Deficit $	Total $
Balance, May 31, 2021	9,993,652	1,506,184	433,969	(876,130)	1,064,023
Issuance of common shares pursuant to the exercise of stock options	540,000	767,109	(348,109)	–	419,000
Issuance of common shares pursuant to the exercise of warrants	978,333	733,750	–	–	733,750
Shares issued pursuant to acquisition	234,742	269,953	–	–	269,953
Fair value of stock options granted	–	–	707,199	–	707,199
Net loss for the year	–	–	–	(2,320,214)	(2,320,214)
Balance, May 31, 2022	11,746,727	3,276,996	793,059	(3,196,344)	873,711
Issuance of common shares pursuant to private placement	18,562,440	928,122	–	–	928,122
Share issue costs	–	(41,456)	21,576	–	(19,880)
Fair value of stock options granted	–	–	129,886	–	129,886
Transfer from reserves to deficit relating to cancelled options	–	–	(793,059)	793,059	–
Net loss for the year	–	–	–	(1,108,744)	(1,108,744)
Balance, May 31, 2023	**30,309,167**	**4,163,662**	**151,462**	**(3,512,029)**	**803,095**

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

LEXSTON LIFE SCIENCES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022
(Expressed in Canadian dollars)

	2023 **$**	2022 $
OPERATING ACTIVITIES		
Net loss	**(1,108,744)**	(2,320,214)
Items not involving cash:		
Amortization	**29,800**	31,982
Impairment of intangible assets	**–**	287,993
Loss on disposal of equipment	**5,922**	–
Share-based compensation	**129,886**	707,199
Unrealized loss on investment	**28,999**	46,000
Equipment for salaries and benefits	**16,000**	–
Changes in non-cash operating working capital:		
Amounts receivable	**31,215**	(106)
Prepaid expenses and advances	**(52,938)**	(184,587)
Accounts payable and accrued liabilities	**(67,881)**	34,341
Due to related party	**–**	(4,061)
Net cash used in operating activities	**(987,741)**	(1,401,453)
INVESTING ACTIVITIES		
Cash acquired from acquisition of Zenalytic Laboratories Ltd.	–	15,460
Acquisition of Zenalytic Laboratories Ltd.	–	(50,000)
Purchase of investment	–	(75,000)
Purchase of property and equipment	–	(434)
Net cash used in investing activities	–	(109,974)
FINANCING ACTIVITIES		
Net proceeds from private placement	**908,242**	–
Proceeds from exercise of stock options	**–**	419,000
Proceeds from exercise of warrants	**–**	733,750
Net cash provided by financing activities	**908,242**	1,152,750
Change in cash	**(79,499)**	(358,677)
Cash, beginning of year	**590,494**	949,171
Cash, end of year	**510,995**	590,494
Non-cash investing and financing activities:		
Fair value of broker warrants issued	**21,576**	–
Fair value of shares issued for acquisition	**–**	269,953
Transfer of fair value of stock options to share capital upon exercise	**–**	348,109

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

1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

Lexston Life Sciences Corp. (the “Company”) was incorporated on January 3, 2020 under the laws of the province of British Columbia. The address of the Company’s registered and records office is 1150 – 789 West Pender Street, Vancouver, BC, V6C 1H2 and its principal place of business is 929 Mainland Street, Vancouver, BC V6B 1S3.

During the year ended May 31, 2023, the Company incurred a net loss of $1,108,744 (2022 - $2,320,214) and has used net cash in operating activities of $987,741 (2022 - $1,401,453). As at May 31, 2023, the Company has an accumulated deficit of $3,512,029. The Company expects to incur further losses in the development of its operations. While the Company has positive working capital, the ability of the Company to carry out its business objectives is dependent on its ability to secure continued financial support from related parties, to obtain public equity financing, or to ultimately attain profitable operations in the future. If and when the Company can attain profitability and positive cash flows is uncertain.

While the Company has been successful in securing financing in the past, there is no assurance that financing will be available in the future on terms acceptable to the Company. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments which are measured at fair value, and in accordance with International Financial Reporting Standards (“IFRS”). These consolidated financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Egret Bioscience Ltd. (“Egret”) and Zenalytic Laboratories Ltd. (“Zen”).

The Company’s consolidated financial statements include the accounts of all subsidiaries subject to control by the Company. Control is achieved when the Company has the power to, directly or indirectly, govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is obtained and continue to be consolidated until the date that such control ceases. Intercompany balances, transactions, and unrealized intercompany gains and losses are eliminated upon consolidation.

Use of Estimates and Judgments

The preparation of these consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both the current and future periods.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant areas requiring the use of management estimates include the collectability of accounts receivable, carrying value of investment, the useful lives and carrying value of property and equipment and intangible assets, fair value of share-based compensation, and recoverability of unrecognized deferred income tax assets.

Significant judgments include the following:

- Assessment of whether the going concern assumption is appropriate which requires management to take into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period;
- Determining whether the acquisitions of Egret and Zen are a business combination or an asset acquisition. In a business combination, all identifiable assets, liabilities, and contingent liabilities acquired are recorded at their fair values. In determining the allocation of the purchase price in a business combination, including any acquisition related contingent consideration, estimates including market based and appraisal values are used. The contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in the acquisition transaction. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity;
- Judgment with respect to the assessment of fair value of investment in a private company. The fair value of common shares in a private company is determined by valuation techniques such as recent arm's length transactions, option pricing models, or other valuation techniques commonly used by market participants; and
- Costs to develop products that will be sold are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38, *Intangible Assets,* are met. Those criteria require that the product is technically and economically feasible, which management assesses based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible.

Cash and cash equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risks of changes in value to be cash equivalents.

Accounts receivable

The Company reviews the collectability of its accounts receivable and establishes an allowance for doubtful accounts based on the age of the receivable and factors that identify receivables that are at risk of non-collection.

Property and equipment

Property and equipment is recorded at historical cost less related accumulated depreciation and impairment losses. Cost is determined as the expenditure directly attributable to the asset at acquisition, only when it is probable that future economic benefits will flow to the Company and the cost can be reliably measured. When an asset is disposed of, its carrying cost is derecognized. All repairs and maintenance costs are charged to the consolidated statement of operations during the financial period in which they are incurred. The Company provides for depreciation of property and equipment on a straight-line basis unless otherwise noted using the following annual rates:

Computer equipment	3 years straight line
Laboratory equipment	3 - 5 years straight line

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Classification and measurement – initial recognition

On initial recognition, all financial assets and liabilities are classified and recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at fair value through profit or loss ("FVTPL").

Classification and measurement – subsequent to initial recognition

Subsequent measurement of financial assets and liabilities depends on their classification and measurement basis.

Financial Assets

Subsequent to initial recognition, financial assets are measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss, depending on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that do not meet the above conditions are classified as fair value through profit or loss. The Company's cash and accounts receivable are measured at amortized cost. The Company's investment is measured at FVTPL.

Financial Liabilities

Subsequent to initial recognition, financial liabilities are measured at amortized cost, unless designated as fair value through profit or loss. The Company's accounts payable and accrued liabilities and amounts due to related party are measured at amortized cost.

Impairment of Financial Assets

The Company applies the expected credit loss ("ECL") model to its financial assets measured at amortized cost. Under the ECL model, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Upon recognition of a financial asset, 12-month ECLs are recognized in the consolidated statement of operations and a loss allowance is established. At each reporting date, if the credit risk associated with a financial asset has increased significantly and is not considered low, lifetime ECLs are recognized in the consolidated statement of operations.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of long-lived assets to determine whether there is an indication that those assets have suffered an impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment charge (if any). The Company's long-lived assets consist of property and equipment, and investment.

The recoverable amount used for this purpose is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its recorded amount, the recorded amount of the asset is reduced to its recoverable amount. An impairment charge is recognized immediately in the consolidated statements of operations, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to a maximum amount equal to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Business combinations

The Company evaluates acquisitions to determine whether it is a business combination or an asset acquisition. The Company accounts for business combinations under the acquisition method of accounting. The Company includes the results of operations of acquired businesses in its consolidated financial statements as of the respective dates of acquisition. The purchase price is allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date, with the excess recorded to goodwill.

The determination of fair value requires considerable judgment and is sensitive to changes in the underlying assumptions. The Company's estimates are preliminary and subject to adjustment, which may result in material changes to the final valuation. During the measurement period, which will not exceed one year from closing, the Company may continue to obtain information to assist in finalizing the acquisition date fair values. Any qualifying changes to the preliminary estimates will be recorded as adjustments to the respective assets and liabilities, with any residual amounts allocated to goodwill. Acquisition costs are expensed as incurred, unless they qualify to be treated as debt issue costs, or as cost of issuing equity securities.

Asset acquisitions are accounted for using a cost accumulation model, with the cost of the acquisition allocated to the acquired assets based on their relative fair values. Goodwill is not recognized in an asset acquisition.

Intangible assets

Intangible assets consist of a pathogen license and customer relationships acquired from the acquisition of Zen. Intangible assets are carried at cost less accumulated amortization and impairment and are capitalized when the costs can be measured reliably and it is probable that future economic benefits that are attributable to the asset will flow to the Company. The Company's customer relationships have an estimated useful life of 15 years and the pathogen license has an indefinite useful life.

Income taxes

(i) Current income taxes

Current income tax assets and liabilities for the current and prior periods 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 end of each reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Deferred income tax

Deferred income tax is provided using the statement of financial position method 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 income 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.

Share capital

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are issued, and any excess is allocated to warrants.

Incremental costs directly attributed to the issuance of common shares are shown in equity as a reduction, net of tax, of the proceeds received on issue. Shares issued for non-monetary consideration are valued based on the fair value of the goods or services received unless the fair value of the shares are a more reliable measure.

Share-based payments

The Company grants share-based awards to employees, directors, and consultants as an element of compensation. The fair value of the awards is recognized over the vesting period as share-based compensation expense and share-based payment reserve. The fair value of share-based payments is determined using the Black-Scholes option pricing model with estimates at the date of the grant. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management’s best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the consolidated statement of operations with a corresponding entry within equity, against share-based payment reserve. No expense is recognized for awards that do not ultimately vest.

When stock options or warrants are exercised, the proceeds received, together with any related amount in share-based payment reserve, are credited to share capital. When stock options or warrants expire unexercised, the fair value of the options or warrants is credited to deficit, with an offsetting reduction in the share-based payment reserve.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, unless the fair value cannot be estimated reliably. If the Company cannot reliably estimate the fair value of the goods or services received, the Company will measure their value by reference to the fair value of the equity instruments granted.

Loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share. Stock options, share purchase warrants, and other equity instruments are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options, warrants and other equity instruments. As at May 31, 2023, the Company had 24,750,359 (2022 – 3,586,319) potentially dilutive shares outstanding.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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; and
5) Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue is earned through product sales and consulting services. Revenues from product sales is primarily derived from product outputs and data derived from the Company's laboratory which is based on agreement with a customer on their specific needs and a transaction price. The amounts are billed when the output or data has been completed and received by the customer.

Revenue from consulting services is derived from services provided to third parties where the Company provides services based on the direction of the customer at pre-determined consulting rates which are billed monthly and is based on the amount of time incurred to the customer.

Research and development

The Company incurs costs on activities that relate to research and development of new products. Research and development costs are expensed, except in cases where development costs meet certain identifiable criteria for deferral, including technical feasibility. Development costs are capitalized only if the expenditures 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 and to use or sell the asset. Deferred development costs are amortized over the life of related commercial production, or in the case of serviceable property and equipment, are included in the appropriate property group and are depreciated over its estimated useful life.

Foreign currency translation

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the consolidated statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the consolidated statement of operations.

Recent accounting pronouncements

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended May 31, 2023, and have not been early adopted in preparing these consolidated financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets which is primarily cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. The Company's cash is held with a major Canadian-based financial institution. The carrying amount of financial assets represents the maximum credit exposure.

(Expressed in Canadian dollars)

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of these exposures. These risks include liquidity risk, credit risk, price risk, currency risk and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

Fair values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's consolidated statement of financial position as at May 31, 2023 as follows:

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Carrying Amount $
Investment	–	1	–	1

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

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

The fair values of other financial instruments, which include cash, accounts receivable, accounts payable and accrued liabilities, and amounts due to related party approximate their carrying values due to the relatively short-term maturity of these instruments.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt and equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company has cash of $510,995 at May 31, 2023 (2022 – $590,494) in order to meet short-term liabilities of $11,207 (2022 – $79,088). There is no assurance that financing will be available or, if available, that such financing will be on terms acceptable to the Company. The Company monitors its risk of shortage of funds by monitoring the maturity dates of its existing liabilities. The Company's accounts payable and amounts due to related parties are all due within one year.

Foreign exchange rate and interest rate risk

The Company is not exposed to any significant foreign exchange rate or interest rate risk.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The Company depends on external financing to fund its activities. The capital structure of the Company currently consists of cash, and equity comprised of issued share capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, or sell assets to fund operations. Management reviews its capital management approach on a regular basis. The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian dollars)

4. ACQUISITION OF ZENALYTIC LABORATORIES LTD.

On September 20, 2021, the Company completed the acquisition of Zenalytic Laboratories Ltd. ("Zen") a company incorporated in the province of British Columbia which is licensed under the Public Health Agency of Canada to test human and animal pathogens in its facility located in Kelowna, British Columbia. Under the terms of the transaction, the Company acquired all the issued and outstanding common shares for consideration with a fair value of $319,953 comprised of $50,000 cash and the issuance of 234,742 common shares at $1.15 per share (closing share price on the day of acquisition) with a fair value of $269,953.

The Company elected to apply the optional test to identify concentration of fair value to determine whether the transaction constitutes a business combination or an asset acquisition, and determined that the property and equipment and intangible assets constituted a group of assets that comprised over 90% of the fair value of the acquisition. The Company has elected to record the transaction as an asset acquisition in accordance with IFRS 3. The following table summarizes the purchase price allocation:

Net Assets Acquired	$
Cash	15,460
Prepaid expenses and deposits	800
Laboratory equipment	25,700
Intangible assets	287,993
Accounts payable and accrued liabilities	(10,000)
Net assets over liabilities	319,953
Consideration:	
Cash	50,000
Fair value of 234,742 common shares at $1.15 per share	269,953
Fair value of consideration	319,953

The intangible assets acquired from Zen reflects the fair value of the pathogen license and customer relationships at the date of acquisition. As at May 31, 2022, the Company suspended the services of its laboratory team that generates the lab testing and consulting revenues for Egret and Zen due to continuing operating losses. Although the Company is in the process of sourcing a new laboratory team to continue its existing operations, it acknowledges that it has yet to be successful and that there is a likelihood that the Company may need to alter their strategic direction. Given the significant doubt that Zen's pathogen license and customer relationships can continue to generate future economic benefit for the Company due to lack of profitability from Zen's business and the lack of qualified staffing to run its operations, the Company recorded an impairment loss of $287,993 of its intangible assets for the year ended May 31, 2022.

5. ACCOUNTS RECEIVABLE

	2023	2022
	$	$
Trade accounts receivable	25	29,518
Taxes receivable	6,325	8,047
	6,350	37,565

During the year ended May 31, 2023, the Company recorded an allowance for doubtful accounts of $Nil (2022 - $135,964).

(Expressed in Canadian dollars)

6. MINERAL PROPERTY

The Company entered into a mineral property option agreement dated January 18, 2023 and amended May 31, 2023. In order to exercise the option and earn a 51% interest in the Dory Property, which consists of four mineral claims located 25 km west of Port Alberni in British Columbia, the Company must, within six months from the date of acceptance by the Canadian Securities Exchange (the "Exchange") of the option agreement and the change of business of the Company:

a) pay to the Optionor $85,000; and

b) issue to the Optionor a total of 250,000 common shares of the Company.

The Company will earn a further 49% interest in the Dory Property making the total interest of the Company in the Property 100% by:

a) making a cash payment to the Optionor in the amount of $10,000 within one year from the date of the acceptance of the Option Agreement and the change of business of the Company by the Exchange;

b) incurring expenditures on the Dory Property in the amount of $100,000 within one year from the date of the acceptance of the Option Agreement and the change of business of the Company by the Exchange; and

c) issuing to the Optionor a total of 250,000 common shares of the Company within one year from the date of the acceptance of the Option Agreement and the change of business of the Company by the Exchange.

The option is subject to 2% net smelter return royalty in favour of the Optionor, 1/2 of which can be repurchased by the Company for $1,000,000.

7. INVESTMENT

On July 7, 2021, the Company acquired 750,000 Class C non-voting common shares of Psy Integrated Health Inc. ("Psy Integrated"), a private company incorporated in the province of British Columbia, at $0.10 per share for $75,000, representing 13% of the total issued and outstanding shares of Psy Integrated and no voting rights, board representation, or involvement in the day-to-day nature of its operations. The Company's investment in Psy Integrated is recorded as FVTPL.

During the year ended May 31, 2023, the Company recorded an unrealized loss of $28,999 (2022 - $46,000) on its investment in Psy Integrated, and as at May 31, 2023, has a carrying value of $1 (2022 - $29,000).

8. REVENUES

	2023	2022
	$	$
Product sales and services	–	234,911
Consulting	–	126,100
	–	361,011

The Company's product sales and services and consulting are comprised primarily of revenue transactions that are recognized at a point in time.

(Expressed in Canadian dollars)

9. PROPERTY AND EQUIPMENT

	Computer equipment $	Laboratory equipment $	Total $
COST			
Balance, May 31, 2021	8,057	117,411	125,468
Additions	434	25,700	26,134
Balance, May 31, 2022	8,491	143,111	151,602
Disposals	(7,221)	(28,518)	(35,739)
Balance, May 31, 2023	1,270	114,593	115,863
ACCUMULATED DEPRECIATION:			
Balance, May 31, 2021	1,137	10,130	11,267
Amortization	2,789	29,193	31,982
Balance, May 31, 2022	3,926	39,323	43,249
Amortization	1,281	28,519	29,800
Disposals	(3,937)	(9,880)	(13,817)
Balance, May 31, 2023	1,270	57,962	59,232
CARRYING AMOUNT:			
Balance, May 31, 2022	4,565	103,788	108,353
Balance, May 31, 2023	**–**	**56,631**	**56,631**

10. SHARE CAPITAL

Authorized

Unlimited number of common shares, voting, without par value.

On May 27, 2022, the Company consolidated its issued and outstanding common shares on the basis of 5 old common shares to 1 new common share. Unless otherwise noted, all shares, options and warrants have been retroactively adjusted to reflect the consolidation.

Escrow Shares

Pursuant to an escrow agreement effective June 7, 2021, a total of 4,260,000 common shares of the Company were deposited into escrow for certain principal shareholders. Under the escrow agreement, 10% of the escrowed common shares were released (on the date of listing) and 15% will be released subsequently every 6 months thereafter over a period of 36 months. As of May 31, 2023, there were 1,917,000 (2022 – 3,195,000) shares held in escrow.

Share Issuances

Year ended May 31, 2023

(a) During the year ended May 31, 2023, the Company issued 18,562,440 units at $0.05 per unit for proceeds of $928,122, including 800,000 units issued to officers and directors of the Company for proceeds of $40,000. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share for a period of five years at $0.075 per share. As part of the private placement, the Company paid finders’ fees of $19,880 and issued 397,600 brokers warrants under the same terms and conditions as the warrants issued pursuant to the private placement. The value of the brokers warrants amounted to $21,576 based on the value of the equity instruments issued. This issuance cost was recorded as reduction in share capital and an increase in reserves.

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

Year ended May 31, 2022:

(a) During the year ended May 31, 2022, the Company issued a total of 540,000 common shares for proceeds of $419,000 pursuant to the exercise of stock options which resulted in a transfer from share-based payments reserve to share capital of $348,109.

(b) During the year ended May 31, 2022, the Company issued 978,333 common shares for proceeds of $733,750 pursuant to the exercise of share purchase warrants at $0.75 per common share.

(c) On September 20, 2021, the Company issued 234,742 common shares with a fair value of $269,953 in connection with its acquisition of Zen. Refer to Note 4.

11. SHARE PURCHASE WARRANTS

The continuity of share purchase warrants is summarized below:

	Weighted average exercise price $	Number of warrants
Balance, May 31, 2021	0.75	3,768,652
Exercised	0.75	(978,333)
Balance, May 31, 2022	0.75	2,790,319
Issued pursuant to private placement	0.075	18,562,440
Broker warrants issued pursuant to private placement	0.075	397,600
Balance, May 31, 2023	**0.16**	**21,750,359**

The following table summarizes the warrants outstanding and exercisable at May 31, 2023:

Expiry date	Weighted average remaining contractual life (years)	Exercise price	Number of warrants
June 25, 2023	–	$0.75	953,320
July 14, 2023	0.01	$0.75	1,295,666
October 16, 2023	0.01	$0.75	541,333
July 4, 2027	3.57	$0.075	18,960,040
	3.59		**21,750,359**

The $0.75 share purchase warrants are subject to an acceleration clause where they will expire within 30 days if the common shares of the Company are listed on a Canadian stock exchange and trade at a price of $2.00 per share or higher for ten consecutive business days. As at May 31, 2023, the weighted average remaining contractual life of all warrants outstanding was 3.59 years (May 31, 2022 – 1.15). See Subsequent Event Note 15

The broker warrants issued pursuant to private placement were valued using the Black-Scholes option pricing model with the following assumptions: Annualized volatility of $124%; risk-free interest rate of 3.04%; expected life of 5 years; and no expected dividends.

12. STOCK OPTIONS

The Company has a Stock Option Plan whereby stock options are granted in accordance with the policies of regulatory authorities at an exercise price equal to the market price of the Company's stock on the date of the grant and, unless otherwise stated, vest on the grant date and with a term not to exceed five years. Under the plan, the board of directors may grant up to 10% of the issued number of shares outstanding as at the date of the stock option grant.

(Expressed in Canadian dollars)

12. STOCK OPTIONS (continued)

	Weighted average exercise price $	Number of options
Outstanding, May 31, 2021	0.50	400,000
Granted	0.82	936,000
Exercised	0.78	(540,000)
Outstanding, May 31, 2022	0.69	796,000
Granted	0.05	3,000,000
Cancelled	0.69	(796,000)
Outstanding, May 31, 2023	**0.05**	**3,000,000**
Exercisable, May 31, 2023	**0.05**	**3,000,000**

Additional information regarding stock options outstanding as at May 31, 2023 is as follows:

Expiry date	Weighted average remaining contractual life (years)	Exercise price	Stock options outstanding	Stock options exercisable
October 5, 2027	4.35	$0.05	3,000,000	3,000,000
	4.35		**3,000,000**	**3,000,000**

During the year ended May 31, 2023, the Company recognized share-based compensation of $129,886 (2022 - $707,199) on the vesting of stock options to directors, officers, and consultants, of which $45,460 (2022 - $137,628) pertains to officers and directors of the Company. The weighted average fair value of options granted during the year ended May 31, 2023, was $0.05 (May 31, 2022 – $0.82) per option. The fair value of the share price for stock options exercised for the year ended May 31, 2023 was $Nil (2022 - $1.01) per share.

Share-based compensation is determined using the Black-Scholes option pricing model with the following assumptions and assuming no expected dividends or forfeiture rates:

	2023	2022
Annualized volatility	**130%**	122%
Risk-free interest rate	**3.49%**	1.11%
Expected life	**5 years**	5 years

As at May 31, 2023, there was $Nil (2022 - $25,487) of unrecognized share-based compensation related to unvested stock options.

13. RELATED PARTY TRANSACTIONS

Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

	2023 $	2022 $
Consulting fees	**20,000**	–
Management fees	**218,825**	70,000
Salaries and benefits	**22,725**	112,500
Share-based compensation	**45,460**	137,628

(Expressed in Canadian dollars)

13. RELATED PARTY TRANSACTIONS (continued)

(a) As at May 31, 2023, the Company prepaid $22,500 (2022 - $Nil) consulting fees to a director. These fees are deferred until the Company completes the Change of Business and accepted by the Exchange.

(b) As at May 31, 2023, the Company owed $Nil (2022 - $6,923) to a former director of the Company, which is recorded in accounts payable and accrued liabilities. The amount owing is unsecured, non-interest bearing, and due on demand. During the year ended May 31, 2023, the Company incurred $3,750 (2022 - $90,000) of salaries and benefits to this former director.

(c) During the year ended May 31, 2023, the Company incurred $20,000 (2022 - $Nil) of consulting fees to a director of the Company.

(d) During the year ended May 31, 2023, the Company incurred $3,975 (2022 - $22,500) of salaries and benefits to a former director of the Company.

(e) During the year ended May 31, 2023, the Company incurred $170,825 (2022 - $70,000) of management fees to the Chief Executive Officer of the Company.

(f) During the year ended May 31, 2023, the Company incurred $48,000 (2022 - $Nil) of management fees to the Chief Financial Officer of the Company.

(g) During the year ended May 31, 2023, the Company disposed of equipment to former director/employee a total of $15,000 of equipment in lieu of notice of termination.

14. INCOME TAXES

The tax effect computed by applying Canadian federal and provincial statutory rate of 27% of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2023 **$**	2022 $
Income tax recovery at statutory rate	**(299,000)**	(626,458)
Tax effect of:		
Permanent differences and other	**36,000**	301,571
Change in unrecognized deferred income tax assets	**266,000**	324,887
Change in opening tax balances	**(3,000)**	–
Income tax provision	**–**	–

The significant components of deferred income tax assets and liabilities are as follows:

Deferred income tax assets		
Non-capital losses carried forward	**748,000**	453,251
Investment	**-**	12,420
Property and equipment	**41,000**	11,560
Unrecognized deferred income tax assets	**(789,000)**	(477,231)
Net deferred income tax assets	**–**	–

As at May 31, 2023, the Company has non-capital losses carried forward of approximately $2,522,000 which are available to offset future years' taxable income and expire as follows:

	$
2040	6,000
2041	440,000
2042	1,157,000
2043	919,000
	2,522,000

15. SUBSEQUENT EVENT

A total of 2,248,986 share purchase warrants exercisable at $0.75 per common share expired unexercised.