



MIND CURE HEALTH INC.
CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

For the years ended May 31, 2022 and 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Mind Cure Health Inc.

Opinion

We have audited the accompanying consolidated financial statements of Mind Cure Health Inc. (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2022 and 2021, and its financial performance and its cash flows for the years 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 in our audit is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

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

We obtained 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.

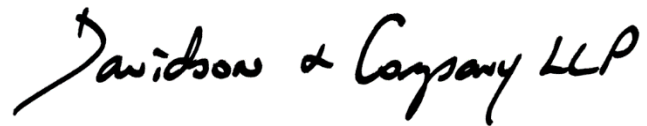
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

September 12, 2022

MIND CURE HEALTH INC.**Consolidated Statements of Financial Position****As at May 31, 2022 and 2021**

(Expressed in Canadian dollars)

	Notes	May 31, 2022	May 31, 2021
ASSETS			
CURRENT			
Cash and cash equivalents		\$ 8,711,172	\$ 18,281,343
Accounts receivable		95,498	85,738
Inventory	4	-	186,478
Prepaid expenses	5	182,852	459,192
		8,989,522	19,012,751
NON-CURRENT ASSETS			
Equipment	7	1,175	2,053
Deposits	6	-	500,000
Intangible assets	8	-	548,736
Investments	9	-	1,237,500
TOTAL ASSETS		\$ 8,990,697	\$ 21,301,040
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	10, 11	\$ 1,888,914	\$ 697,383
TOTAL LIABILITIES		1,888,914	697,383
SHAREHOLDERS' EQUITY			
Share capital	12	27,472,817	27,383,873
Reserves	12	4,022,299	3,472,035
Deficit		(24,393,333)	(10,252,251)
TOTAL SHAREHOLDERS' EQUITY		7,101,783	20,603,657
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		\$ 8,990,697	\$ 21,301,040

Nature and continuance of operations (note 1)

Subsequent events (note 16)

Approved on behalf of the Board:

"Phil Tapley"

Chief Executive Officer/Director

"Michael Wolfe"

Chief Financial Officer

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

MIND CURE HEALTH INC.
Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

		Years ended May 31	
	Notes	2022	2021
EXPENSES			
Advertising and promotion		\$ 262,690	\$ 204,549
Amortization Expense	7	9,753	-
Bank charges		6,720	4,428
Business development costs		399,482	112,768
Consulting fees and employee payroll		3,609,448	1,831,600
Insurance		166,004	96,066
Investor relations and marketing		1,187,585	4,226,904
License & Dues		268,980	45,274
Transfer agent and filing fees		113,133	115,742
Management and director fees	11	2,280,190	691,651
Office and general		366,149	20,159
Professional fees		726,789	746,270
Research expenses		48,253	50,363
Share-based payments	11, 12	562,229	2,316,218
Travel		60,509	6,436
LOSS BEFORE THE FOLLOWING:		\$ (10,067,914)	\$ (10,468,428)
Impairment of intangible asset	8	(2,541,303)	(170,932)
Inventory write-down	4	(182,435)	-
Interest earned		94,405	33,253
Foreign exchange gain		52,601	45,259
Gain (loss) on investment	9	(1,496,436)	387,500
LOSS AND COMPREHENSIVE LOSS, for the year		\$ (14,141,082)	\$ (10,173,348)
Loss per share, basic and diluted		\$ (0.15)	\$ (0.18)
Weighted average number of shares outstanding, basic and diluted		93,854,522	57,312,612

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

MIND CURE HEALTH INC.
Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Share Capital		Warrants Reserve	Options Reserve	Deferred Stock Units Reserve	Contributed Surplus	Deficit	Total Shareholders' Equity
	Shares	Amount						
Balance, May 31, 2020	30,270,000	\$ 827,129	\$ -	\$ -	\$ -	\$ 1,699	\$ (78,903)	\$ 749,925
Reclassification of contributed surplus	-	1,699	-	-	-	(1,699)	-	-
Issuance of shares pursuant to initial public offering	14,950,000	2,990,000	-	-	-	-	-	2,990,000
Issuance of shares to employees and contractors	164,300	127,780	-	-	-	-	-	127,780
Issuance of shares pursuant to private placement	8,000,000	3,600,000	-	-	-	-	-	3,600,000
Issuance of shares pursuant to bought deal financing	38,542,433	23,125,460	-	-	-	-	-	23,125,460
Share issuance costs	-	(2,728,984)	-	-	-	-	-	(2,728,984)
Finders' warrants issued	-	(1,274,797)	1,274,797	-	-	-	-	-
Issuance of shares pursuant to exercise of warrants	683,323	236,204	(63,998)	-	-	-	-	172,206
Issuance of shares pursuant to exercise of options	255,000	129,382	-	(54,982)	-	-	-	74,400
Issuance of shares pursuant to investment agreement	796,541	350,000	-	-	-	-	-	350,000
Share-based payments	-	-	-	2,316,218	-	-	-	2,316,218
Loss and comprehensive loss for the year	-	-	-	-	-	-	(10,173,348)	(10,173,348)
Balance, May 31, 2021	93,661,597	27,383,873	1,210,799	2,261,236	-	-	(10,252,251)	20,603,657
Issuance of shares to employees and contractors	149,220	55,868	-	-	-	-	-	55,868
Issuance of shares pursuant to exercise of warrants	40,185	13,823	(3,777)	-	-	-	-	10,046
Issuance of shares pursuant to exercise of options	55,325	19,253	-	(8,188)	-	-	-	11,065
Share-based payments	-	-	-	324,729	237,500	-	-	562,229
Loss and comprehensive loss for the year	-	-	-	-	-	-	(14,141,082)	(14,141,082)
Balance, May 31, 2022	93,906,327	\$ 27,472,817	\$ 1,207,022	\$ 2,577,777	\$ 237,500	\$ -	\$ (24,393,333)	\$ 7,101,783

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

MIND CURE HEALTH INC.
Consolidated Statements of Cash Flow
(Expressed in Canadian dollars)

	Years ended May 31	
	2022	2021
OPERATING ACTIVITIES		
Loss for the year	\$ (14,141,082)	\$ (10,173,348)
Items not involving cash:		
Amortization	9,753	-
Share-based payments	562,229	2,316,218
(Gain) loss on investment	1,237,500	(387,500)
Fair value change in AWAKN shares	258,936	-
Employee payroll - taxable benefit of equipment transfers	27,917	-
Inventory write-down	182,435	-
Issuance of shares to employees and contractors	55,868	127,780
Impairment of intangible assets	2,541,303	-
	(9,265,141)	(8,116,850)
Change in non-cash working capital items:		
Accounts receivable	(9,760)	(84,042)
Prepaid expenses	276,340	(395,862)
Accounts payable and accrued liabilities	(214,083)	493,618
Inventory	4,043	(186,478)
Net cash used in operating activities	\$ (9,208,601)	\$ (8,289,614)
INVESTING ACTIVITIES		
Equipment	(36,792)	(2,053)
Deposits	-	(500,000)
Intangible assets	(586,953)	(269,706)
Proceeds from sale (purchase) of investments	241,064	(500,000)
Net cash used in investing activities	\$ (382,681)	\$ (1,271,759)
FINANCING ACTIVITIES		
Issuance of shares for IPO	-	2,990,000
Issuance of shares pursuant to private placement	-	3,600,000
Issuance of shares pursuant to bought deal financing	-	23,000,460
Share issuance costs	-	(2,603,984)
Issuance of shares pursuant to warrants exercised	10,046	172,206
Issuance of shares pursuant to options exercised	11,065	74,400
Net cash from financing activities	\$ 21,111	\$ 27,233,082
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (9,570,171)	\$ 17,671,709
CASH AND CASH EQUIVALENTS, beginning of the year	18,281,343	609,634
CASH AND CASH EQUIVALENTS, end of the year	\$ 8,711,172	\$ 18,281,343
Supplemental cash flow disclosures		
Non-cash activities		
Transfer of fair value of warrants exercised	\$ 3,777	\$ 63,998
Transfer of fair value of options exercised	\$ 8,188	\$ 54,982
Share issued pursuant to investment agreement	\$ -	\$ 350,000
Share issuance costs - non-cash	\$ -	\$ 1,399,797
Transfer of deposit to investments	\$ 500,000	\$ -
Intangible asset included in accounts payable	\$ 1,572,815	\$ 167,201
Cash paid for		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -
Cash and cash equivalents		
Cash	\$ 662,228	\$ 3,229,834
Cash equivalent	\$ 8,048,944	\$ 15,051,509

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

Mind Cure Health Inc.

Notes to the Consolidated Financial Statements

For the year ended May 31, 2022 and 2021

(Expressed in Canadian Dollars)

1. Nature and continuance of operations

Mind Cure Health Inc. ("MINDCURE" or the "Company") was incorporated on March 6, 2020, pursuant to the Business Corporations Act of British Columbia, Canada. MINDCURE was a life sciences company with a mission to identify, develop and commercialize products that enhance mental health and wellness. However, on March 16, 2022, the Company announced that due to current and foreseeable market conditions that the additional capital required to execute the Company's plan was unlikely to be found. Accordingly, the Company made the decision to eliminate all expenditures outside those required to preserve the value of the Company's assets including its public company status with Canadian securities regulators and cash and cash equivalents.

The Company's head office is located at 422 Richards Street, Suite 170, Vancouver, BC V6B 2Z4, and its registered office is located at 2500 – 700 West Georgia Street, Vancouver, British Columbia V7Y 1B3.

On September 17, 2020, the Company completed its Initial Public Offering ("IPO") of the Company's common shares under the prospectus dated August 27, 2020, including the exercise in full of the over-allotment option under the terms of the prospectus. A total of 14,950,000 of the Company's common shares at a price of \$0.20 were sold through the IPO, for aggregate gross proceeds of \$2,990,000. Trading of the Company's shares commenced on September 21, 2020, on the Canadian Securities Exchange ("CSE") under the ticker symbol "MCUR".

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company currently has no sources of cash from operations. Management estimates that the Company will be able to meet its obligations and to sustain operations for at least the next twelve months.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on September 12, 2022.

2. Basis of presentation and statement of compliance

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Reporting Interpretation Committee ("IFRIC") for the years presented.

Basis of Presentation

These consolidated financial statements of the Company have been prepared on an accrual basis except cashflow information and are based on historical cost, except for financial instruments measured at fair value. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

The functional and presentation currency of the Company and its subsidiary is the Canadian dollar.

Principles of consolidation

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

Mind Cure Health Inc.**Notes to the Consolidated Financial Statements**

For the year ended May 31, 2022 and 2021

(Expressed in Canadian Dollars)

2. Basis of presentation and statement of compliance (cont'd)Principles of consolidation (cont'd)

These consolidated financial statements include accounts of the Company and the following subsidiary:

Name of subsidiary	Country of incorporation	Percentage ownership
Mind Cure Health (US) Inc.	United States	100%

3. Significant accounting policies**Intangible assets**

Intangible assets are stated at cost less accumulated amortization (note 8). The Company capitalized costs that were directly attributable to the development of its technology and iSTRYM digital therapeutic platforms (note 8). Those capitalized direct costs include costs incurred during the application and infrastructure development and graphical design development stages of its technological platform project and the development costs of the iSTRYM digital therapeutic platform. As at May 31, 2021, due to the discontinuation of the Company's line nootropic products, the Company deemed that the carrying value of the technology platform was impaired and it was written-off. As at May 31, 2022, due to external market conditions (see note 1), and a negative evaluation of the marketability of the iSTRYM digital therapeutic platform, the Company terminated all development of iSTRYM, and the project costs were impaired and written-off.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization periods and the amortization methods for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the remaining amortization periods or methods, as appropriate, and are treated as changes in accounting estimates.

Intangible assets are amortized over their estimated useful lives once they are available for use.

Equipment

Equipment is stated at cost less accumulated amortization.

Equipment is amortized using an annual rate of amortization that best represents their useful economic lives. The annual rates of amortization are reviewed at least at the end of each reporting period. Changes in the expected useful economic lives or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the remaining amortization periods or methods, as appropriate, and are treated as changes in accounting estimates.

Equipment is amortized using the following annualized rate of amortization, calculated monthly:

Type	Amortization rate
Computer equipment	55% per year

Mind Cure Health Inc.**Notes to the Consolidated Financial Statements**

For the year ended May 31, 2022 and 2021

(Expressed in Canadian Dollars)

3. Significant accounting policies (cont'd)**Inventory**

Inventory is recorded at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

All inventories are periodically reviewed for impairment due to slow-moving and obsolete inventory. The provisions for obsolete, slow-moving or defective inventories are recognized in profit or loss. Previous write-downs to net realizable value are reversed to the extent there is a subsequent increase in the net realizable value of the inventories.

Foreign Currency

In accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates," management determined the functional currency of the Company based on the currency of the primary economic environment in which the Company operates. These financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Company and its subsidiary.

Foreign currency transactions are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the period end rate of exchange. Foreign exchange gains and losses resulting from such translations are recognized in profit or loss.

Research and development expenditure

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

Share-based Payments

The cost of equity-settled transactions with employees are measured at the fair value of the equity instruments granted in exchange for the rendering of services on the grant date. The fair value is determined based on market prices if available, taking into account terms and conditions upon which the equity instruments are granted. If market prices are not available, an acceptable option pricing model is used to determine fair value.

As for other service providers, the cost of the transactions is measured at the fair value of the goods or services received as consideration for equity instruments. In cases where the fair value of the goods or services received as consideration for equity instruments cannot be reliably measured, they are measured by reference to the fair value of the equity instruments granted.

The cost of equity-settled transactions is recognized in profit or loss, together with a corresponding increase in equity, during the period in which the performance and/or service conditions are satisfied, ending on the date on which the relevant party become fully entitled to the award (the "vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

The expense or income recognized in profit or loss represents the change between the cumulative expense recognized at the end of the reporting period and the cumulative expense recognized at the end of the previous reporting period.

Mind Cure Health Inc.**Notes to the Consolidated Financial Statements**

For the year ended May 31, 2022 and 2021

(Expressed in Canadian Dollars)

3. Significant accounting policies (cont'd)**Share-based Payments (cont'd)**

Where vesting is conditional upon a market condition, an expense is recognized over the vesting period irrespective of whether the market condition is satisfied, provided that all other vesting conditions (service and/or performance) are satisfied.

The fair value of stock options is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Financial instruments*Classification*

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition.

The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification under IFRS 9:

Financial assets/liabilities	Classification IFRS 9
Cash and cash equivalents	FVTPL
Deposits	Amortized cost
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

*Measurement*Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of loss and comprehensive loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Mind Cure Health Inc.

Notes to the Consolidated Financial Statements

For the year ended May 31, 2022 and 2021

(Expressed in Canadian Dollars)

3. Significant accounting policies (cont'd)**Financial instruments (cont'd)***Measurement (cont'd)*Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

*Derecognition*Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Impairment of assets

The carrying amount of the Company's assets is 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 the statement of loss and comprehensive 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 and goodwill are not subject to amortization and are tested annually for impairment.

Mind Cure Health Inc.**Notes to the Consolidated Financial Statements****For the year ended May 31, 2022 and 2021****(Expressed in Canadian Dollars)**

3. Significant accounting policies (cont'd)**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, and short-term highly liquid investments and bank overdrafts. As at May 31, 2022, the Company held a number of fixed and variable rate guaranteed investment certificates ("GIC") valued at \$8,048,944 (2021 - \$15,051,509) which is presented as cash equivalents.

Loss per Share

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for own shares held and for the effects of all potential dilutive common shares related to outstanding stock options and warrants issued by the Company for the periods presented, except if their inclusion proves to be antidilutive.

Share capital

The Company records proceeds from the issuance of its common shares as equity. The Company uses the 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 most 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 the private placement was determined to be the more easily measurable component and were valued at their fair value, as determined by cash received. The remaining proceeds, if any, are allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrant reserve. Management does not expect to record a value to the warrant in most equity issuances as unit private placements are commonly priced at market or at a permitted discount to market. If the warrants are issued as share issuance costs, the fair value of agent's warrants are measured using the Black-Scholes Option Pricing Model and recognized in equity as a deduction from the proceeds.

If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in warrant reserve.

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

Income taxes

Income tax consists of current and deferred tax expense. Current tax and deferred tax are recognized in the consolidated statements of loss and comprehensive loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect both accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

Mind Cure Health Inc.**Notes to the Consolidated Financial Statements**

For the year ended May 31, 2022 and 2021

(Expressed in Canadian Dollars)

3. Significant accounting policies (cont'd)**Income taxes (cont'd)**

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

New accounting standards and interpretations adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by IASB or IFRIC that are mandatory for future accounting periods which are not expected to have a material effect on the Company's consolidated financial statements. There were no new standards adopted by the Company during the year ended May 31, 2022 having a material effect on the Company's consolidated financial statements.

Critical Accounting Estimates, Judgments and Assumptions

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

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

*Critical accounting judgements:**Going concern*

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operations, meet its liabilities for the ensuing year as they fall due, involves judgment based on historical experience and other factors including the expectation of future events that are believed to be reasonable under the circumstances. Management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

*Critical accounting estimates:**Intangible assets*

The assessment of indications of impairment of intangible assets:

Management determines if intangible asset costs, which have been capitalized, have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including anticipated cash flows and estimated economic life. If indications of impairment exist, management estimates the recoverable amount of the asset and adjusts the carrying value as necessary.

Share-based payments

Share-based payments expense related to grant of stock options is measured by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. Share-based payments expense as related to the deferred share units ("DSUs") are based on the Company's share price on the date of grant.

Mind Cure Health Inc.**Notes to the Consolidated Financial Statements**

For the year ended May 31, 2022 and 2021

(Expressed in Canadian Dollars)

3. Significant accounting policies (cont'd)Critical Accounting Estimates, Judgments and Assumptions (cont'd)*Deferred tax assets and liabilities*

The measurement of a deferred tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful operations of the Company. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future tax provisions or recoveries could be affected.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost of inventory includes cost of purchase (purchase price, import duties, transport, handling, and other costs directly attributable to the acquisition of inventories), and other costs incurred in bringing the inventories to their present location and condition. Net realizable value for inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provisions are made in profit or loss in the period for any difference between book value and net realizable value.

Valuation of Investments

The Company recognizes its investments at fair value. The basis in determining fair value is market prices from independent sources, if available. If there is no market price, then the fair value is determined using level 3 inputs which involve considerable estimates as the inputs used to value these financial instruments are based on unobservable market data. These level 3 inputs may include assessing the discounted cash flows of the investee, determining the net book value of the investee in comparison to the Company's cost of investment and reviewing the price-per-share of recently completed financings of the investee.

4. Inventory

	May 31, 2022		May 31, 2021	
Finished Goods	\$	-	\$	186,478
	\$	-	\$	186,478

During the year ended May 31, 2022, inventory of \$4,043 was expensed to business development costs.

As at May 31, 2022, all remaining inventory in the amount of \$182,435 had been destroyed as unsaleable. As at May 31, 2021, inventory consisted of the Company's nootropic line of functional mushrooms and supplement products.

Mind Cure Health Inc.**Notes to the Consolidated Financial Statements**

For the year ended May 31, 2022 and 2021

(Expressed in Canadian Dollars)

5. Prepaid expenses

	May 31, 2022		May 31, 2021	
Insurance	\$	80,240	\$	65,974
License agreements		-		176,369
Vendor deposits		86,794		132,330
Other month-to-month prepayments		15,818		84,519
	\$	182,852	\$	459,192

6. Deposits

On May 20, 2021, the Company deposited \$500,000, in trust, for a subscription to a private placement for 200,000 common shares of Awakn Life Sciences Inc. ("AWAKN") a biotechnology company with clinical operations, researching, developing, and delivering psychedelic medicine. On June 17, 2021, AWAKN announced the successful completion of a reverse takeover and the AWAKN shares began trading on June 23, 2021 on the NEO Exchange ("NEO"). The Company was issued 200,000 AWAKN shares for the Company's investment of \$500,000 (note 9).

7. Equipment

Cost	Computer Equipment	
Balance, May 31, 2020	\$	-
Additions		2,053
Balance, May 31, 2021		2,053
Additions		36,792
Disposals		(36,845)
Balance, May 31, 2022	\$	2,000

Accumulated Amortization	Computer Equipment	
Balance, May 31, 2020	\$	-
Additions		-
Balance, May 31, 2021		-
Additions		9,753
Disposals		(8,928)
Balance, May 31, 2022	\$	825

Net carrying amounts	Computer Equipment	
Balance, May 31, 2021	\$	2,053
Balance, May 31, 2022	\$	1,175

Mind Cure Health Inc.**Notes to the Consolidated Financial Statements**

For the year ended May 31, 2022 and 2021

(Expressed in Canadian Dollars)

7. Equipment (cont'd)

During the year ended May 31, 2022, terminated employees were allowed to keep equipment that had been purchased for their remote home office use and the Company recognized the disposal of the equipment with no proceeds. The net book value of the disposed equipment, \$27,917, will be reported as a taxable benefit for any employees that chose to keep the equipment.

8. Intangible assets

Cost	Technology Platform	iSTRYM Digital Therapeutic SaaS Platform	Total
Balance, May 31, 2020	\$ 111,829	\$ -	\$ 111,829
Additions	59,103	548,736	607,839
Impairment	(170,932)	-	(170,932)
Balance, May 31, 2021	-	548,736	548,736
Additions	-	1,992,567	1,992,567
Impairment	-	(2,541,303)	(2,541,303)
Balance, May 31, 2022	\$ -	\$ -	\$ -

Accumulated Amortization	Technology Platform	iSTRYM Digital Therapeutic SaaS Platform	Total
Balance, May 31, 2020	\$ -	\$ -	\$ -
Additions	-	-	-
Balance, May 31, 2021	-	-	-
Additions	-	-	-
Balance, May 31, 2022	\$ -	\$ -	\$ -

Net carrying amounts	Technology Platform	iSTRYM Digital Therapeutic SaaS Platform	Total
Balance, May 31, 2021	\$ -	\$ 548,736	\$ 548,736
Balance, May 31, 2022	\$ -	\$ -	\$ -

During the year ended May 31, 2021, the Company made changes to its product line requiring changes to the Company's technology platform. Amortization was not recorded in these consolidated financial statements for the year ended May 31, 2021, as the technology platform was not ready for use. On July 30, 2021, the Company discontinued the development of its nootropics line of products and therefore, for the year ended May 31, 2021, the technology platform was impaired as the Company determined that the associated costs were unrecoverable.

During the year ended May 31, 2021, the Company began development of the iSTRYM Digital Therapeutic SaaS Platform ("iSTRYM"), a digital therapeutic tool, designed to provide close to real-time data regarding patient care, procedures and protocols.

Mind Cure Health Inc.**Notes to the Consolidated Financial Statements**

For the year ended May 31, 2022 and 2021

(Expressed in Canadian Dollars)

8. Intangible assets (cont'd)

During the year ended May 31, 2022, development of the iSTRYM project continued with the Company investing an additional \$1,992,567 (2021 - \$548,736) into the project. However, on March 16, 2022, after conducting a strategic review of the Company's business plan and considering the unlikely ability of the Company to raise additional capital under the current and foreseeable capital market conditions and an evaluation of the marketability of the iSTRYM project, the Company determined that the market value of the project was \$nil. Total impairment reported for the year ended May 31, 2022 equaled \$2,541,303.

9. Investments

	ATMA	AWAKN	TOTAL
Balance, May 31, 2020	\$ -	\$ -	\$ -
Additions	850,000	-	850,000
Fair market value adjustment	387,500	-	387,500
Balance, May 31, 2021	1,237,500	-	1,237,500
Additions	-	500,000	500,000
Net proceeds of shares sold	-	(241,064)	(241,064)
Loss on investment	(1,237,500)	(258,936)	(1,496,436)
Balance, May 31, 2022	\$ -	\$ -	\$ -

On February 26, 2021, the Company subscribed for a total of 1,250,000 common shares of ATMA Journey Centers Inc. ("ATMA") at a price of \$0.40 per common share with a fair value of \$500,000. On April 8, 2021, the Company completed a further strategic equity investment in ATMA. The investment is comprised of 492,958 ATMA series A preference shares, at a price of \$0.71 per share, for an aggregate price of \$350,000. The Company satisfied the aggregate subscription price through the issuance of 796,541 of its common shares at an agreed-upon price of \$0.4394 per share, being the 10-day volume-weighted average trading price of the common shares on the Canadian Securities Exchange. As at May 31, 2021, the Company adjusted the value of its initial investment to \$0.71 per share (a gain of \$0.31 per share) resulting in a total gain on the ATMA investment of \$387,500.

On June 16, 2021, the Company received 200,000 AWAKN shares valued at \$2.50 per share for a total subscription price of \$500,000. As at May 31, 2022, the Company had sold the 200,000 AWAKN shares and realized a loss of \$258,936 and net cash proceeds of \$241,064.

As at May 31, 2022, the Company determined its strategic equity investment in ATMA Journey Centers Inc. ("ATMA") had a fair value of \$nil.

10. Accounts payable and accrued liabilities

	May 31, 2022	May 31, 2021
Accounts payable and accrued liabilities	\$ 1,844,067	\$ 674,494
Due to related parties (note 11)	44,847	22,889
Total Accounts payables and accrued liabilities	\$ 1,888,914	\$ 697,383

Mind Cure Health Inc.**Notes to the Consolidated Financial Statements**

For the year ended May 31, 2022 and 2021

(Expressed in Canadian Dollars)

11. Related party transactions

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. The following table summarizes the remuneration of key management personnel:

	For the year ended May 31, 2022	For the year ended May 31, 2021
Management, officer, and director remuneration	\$ 2,280,190	\$ 691,651
Professional fees	-	139,328
Share-based payments	388,790	1,329,254
	\$ 2,668,980	\$ 2,160,233

Included in accounts payable and accrued liabilities (note 10) as at May 31, 2022, is a total amount due to related parties of \$44,847 (2021 - \$22,889).

The above transactions are measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties. Amounts due to related parties are unsecured, non-interest bearing and have no fixed term of repayment.

12. Share capital**Authorized share capital**

At May 31, 2022, and 2021, the authorized share capital was comprised of an unlimited number of common shares without par value.

Issued share capital

As at May 31, 2022, 93,906,327 common shares (2021 – 93,661,597) were issued and outstanding.

Year ended May 31, 2021

On September 17, 2020, the Company completed its IPO of the Company's common shares under the prospectus dated August 27, 2020, including the exercise in full of the over-allotment option under the terms of the prospectus. A total of 14,950,000 of the Company's common shares at a price of \$0.20 per share were sold through the IPO, for aggregate gross proceeds of \$2,990,000. Issuance costs of \$574,800 were incurred and 1,196,000 finders' warrants valued at \$112,424 were issued.

On September 28, 2020, the Company issued a total of 96,000 common shares to an employee of the Company at a price of \$0.80 per share. The shares were subject to a hold period of four months and a day from the date of issuance.

On September 28, 2020, the Company issued 50,000 common shares of the Company at a price of \$0.80 per share, to an independent consultant. The shares were subject to a hold period of four months and a day from the date of issuance.

On November 19, 2020, the Company closed a non-brokered private placement. The Company issued 8,000,000 units at a price of \$0.45 per unit for gross proceeds of \$3,600,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable into one common share in the capital of the Company at an exercise price of \$0.60 per share for a period of 24 months after the date of issue. Issuance costs of \$54,640 were incurred.

Mind Cure Health Inc.**Notes to the Consolidated Financial Statements****For the year ended May 31, 2022 and 2021****(Expressed in Canadian Dollars)**

12. Share capital (cont'd)**Issued share capital (cont'd)***Year ended May 31, 2021 (cont'd)*

On February 10, 2021, the Company closed a bought deal public offering. The Company issued 38,334,100 units at a price of \$0.60 per unit for gross proceeds of \$23,000,460. Each unit consisted of one common share and one-half of one common share purchase warrant of the Company. Each Warrant is exercisable into one common share in the capital of the Company at an exercise price of \$0.80 per common share for a period of 24 months after the date of issuance. The Company paid a corporate finance fee in the amount of \$250,000 with 50% of the corporate finance fee paid in cash of \$125,000 and 50% paid in common shares at a price of \$0.60 per share for a total of 208,333 common shares with a cash equivalent value of \$125,000. Total issuance costs of \$2,099,544 were incurred and 2,050,041 finders' warrants valued at \$1,162,373 were issued.

On April 6, 2021, the Company satisfied the purchase of \$350,000 ATMA series A preference shares as part of ATMA's series A financing through the issuance of 796,541 common shares in its capital at an agreed-upon price of \$0.4394 per share, being the 10-day volume-weighted average trading price of the common shares on the Canadian Securities Exchange.

On May 6, 2021, the Company issued 18,300 common shares of the Company at a price of \$0.60 per share, to an independent consultant. The shares are subject to a hold period of four months and a day from the date of issuance.

During the year ended May 31, 2021, a total of 683,323 warrants were exercised for proceeds of \$172,206. The Company reallocated \$63,998 from warrants reserve to share capital that was associated with the warrants that were exercised.

During the year ended May 31, 2021, a total of 255,000 options were exercised for proceeds of \$74,400. The Company reallocated \$54,982 from options reserve to share capital that was associated with the options that were exercised.

Year ended May 31, 2022

On June 7, 2021, the Company issued 28,620 common shares of the Company at a price of \$0.38 per share to an independent consultant. The shares were subject to a hold period of four months and a day from the date of issuance.

On July 5, 2021, the Company issued 24,686 common shares of the Company at a price of \$0.45 per share to an independent consultant. The shares were subject to a hold period of four months and a day from the date of issuance.

On September 3, 2021, the Company issued 59,296 common shares of the Company at a price of \$0.38 per share to an independent consultant. The shares are subject to a hold period of four months and a day from the date of issuance.

On October 6, 2021, the Company issued 36,618 common shares of the Company at a price of \$0.31 per share to an independent consultant. The shares are subject to a hold period of four months and a day from the date of issuance.

During the year ended May 31, 2022, a total of 40,185 warrants were exercised for proceeds of \$10,046. The Company reallocated \$3,777 from warrants reserve to share capital that was associated with the warrants that were exercised.

During the year ended May 31, 2022, a total of 55,325 options were exercised at \$0.20 per share for proceeds of \$11,065. The Company reallocated \$8,188 from options reserve to share capital that was associated with the options that were exercised.

Mind Cure Health Inc.**Notes to the Consolidated Financial Statements**

For the year ended May 31, 2022 and 2021

(Expressed in Canadian Dollars)

12. Share capital (cont'd)**Issued share capital (cont'd)***Year ended May 31, 2022 (cont'd)*

In connection with the IPO, as at May 31, 2022, 1,350,000 (2021 - 2,250,000) shares continued to be held in escrow and will be released based on the Company's escrow agreement, pursuant to the following schedule:

September 17, 2022	1/3 of the remaining escrow securities
March 17, 2023	1/2 of the remaining escrow securities
September 17, 2023	the remaining escrow securities

Stock option plan

On May 31, 2020, the Company adopted an incentive stock option plan ("the Plan"). Options may be granted under the Plan to such officers, directors, employees, and consultants, of the Company and its affiliates, if any, as the Board may from time to time designate. The exercise price of Options will be determined by the Board but may not be less than the greater of: (a) the fair market value of the Common Shares at the time of grant, as determined by the Board, in its sole discretion; and (b) the lowest price permitted under the applicable rules and regulations of all regulatory authorities to which the Company is subject, including the Stock Exchange and the Securities Commissions.

The Plan provides that, subject to the requirements of the Securities Commissions and the Exchange, the aggregate number of Common Shares in respect of which Options may be granted pursuant to the Plan shall not exceed 20% of the issued and outstanding Common Shares. Additionally, the Plan provides that, unless disinterested shareholder approval is obtained, the Plan will not result in or allow at any time the issuance to any one director or executive officer, within a 12-month period, of a number of Common Shares exceeding 5% of the outstanding Common Shares at the time of granting the Options.

Subject to earlier termination in the event of dismissal for cause, termination other than for cause, or in the event of death, all Options granted under the Plan will expire not later than the date that is the earlier of: (i) ten years from the date that such options are granted; and (ii) the latest dated permitted under the applicable rules and regulations of all regulatory authorities to which the Company is subject, including the Exchange and the Securities Commissions. Options granted under the Plan are not transferable or assignable other than by will or other testamentary instrument, pursuant to the laws of succession or by a committee or duly appointed committee by reason that the holder is incapable, by reason of physical or mental infirmity, of managing their affairs. Vesting of stock options is at the discretion of the Board of Directors.

Mind Cure Health Inc.

Notes to the Consolidated Financial Statements

For the year ended May 31, 2022 and 2021

(Expressed in Canadian Dollars)

12. Share capital (cont'd)**Options**

As at May 31, 2022, the total outstanding options were 8,566,250 (2021 - 10,215,000).

	Number of options	Weighted average exercise price
Balance May 31, 2020	-	\$ -
Options granted	10,745,000	0.41
Exercised	(255,000)	0.29
Forfeited	(25,000)	0.71
Expired	(250,000)	0.20
Balance, May 31, 2021	10,215,000	\$0.41
Options granted	1,495,000	\$0.28
Exercised	(55,325)	0.20
Forfeited	(2,056,250)	0.36
Expired	(1,032,175)	0.48
Balance, May 31, 2022	8,566,250	\$0.39
Exercisable, May 31, 2022	8,341,250	\$0.39

Grant Date	Expiry Date	Options Outstanding	Exercisable Options	Exercise Price
June 10, 2020	June 10, 2025	1,025,000	1,025,000	0.20
September 20, 2020	September 20, 2023	2,500,000	2,500,000	0.25
September 20, 2020	June 7, 2022	375,000	375,000	*
September 20, 2020	June 16, 2022	400,000	400,000	*
September 20, 2020	June 20, 2022	200,000	200,000	*
September 20, 2020	June 23, 2022	400,000	400,000	*
October 14, 2020	October 31, 2022	200,000	200,000	0.79
November 30, 2020	November 30, 2023	500,000	500,000	0.63
December 7, 2020	June 16, 2022	175,000	175,000	*
February 10, 2021	February 10, 2026	75,000	75,000	0.74
February 10, 2021	June 16, 2022	10,000	10,000	*
February 12, 2021	June 20, 2022	800,000	800,000	*
February 16, 2021	June 23, 2022	200,000	200,000	*
February 18, 2021	February 18, 2026	250,000	250,000	0.60
March 15, 2021	June 16, 2022	150,000	150,000	*
March 15, 2021	June 17, 2022	75,000	75,000	*
March 29, 2021	June 16, 2022	100,000	100,000	*
April 12, 2021	June 16, 2022	2,500	2,500	*
April 16, 2021	April 16, 2026	250,000	250,000	*
April 19, 2021	April 19, 2026	350,000	175,000	0.60
May 10, 2021	June 28, 2022	250,000	250,000	*
May 25, 2021	June 16, 2022	10,000	10,000	*
June 25, 2021	June 16, 2022	187,500	187,500	*
July 28, 2021	June 30, 2022	7,500	7,500	*
July 29, 2021	June 16, 2022	5,000	5,000	*
August 3, 2021	June 16, 2022	6,250	6,250	*
October 18, 2021	July 30, 2022	12,500	12,500	*
February 1, 2022	February 1, 2027	50,000	-	0.20
Balance, May 31, 2022		8,566,250	8,341,250	\$ 0.39

Mind Cure Health Inc.

Notes to the Consolidated Financial Statements

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12. Share capital (cont'd)**Options (cont'd)**

As at May 31, 2022, the weighted-average remaining life of the outstanding options was 2.76 years.

All options identified with an asterisk (*) expired subsequent to the year end (note 16).

The fair value of the options was determined using the following weighted average Black-Scholes Option Pricing model assumptions:

	May 31, 2022	May 31, 2021
Share price	\$0.28	\$0.36
Exercise price	\$0.28	\$0.40
Fair value	\$0.21	\$0.26
Expected life	5.00 years	4.97 years
Volatility	101%	100%
Risk-free interest Rate	1.14%	0.50%

During the year ended May 31, 2022, the Company recorded \$324,729 (2021 - \$2,316,218) in share-based payments in relation to the options vested

Warrants

As at May 31, 2022, the total outstanding warrants were 29,689,583 (2021 - 29,729,768).

	Number of warrants	Weighted average exercise price
Balance May 31, 2020	-	\$ -
Issued	30,413,091	0.71
Exercised	(683,323)	0.25
Balance, May 31, 2021	29,729,768	\$ 0.72
Exercised	(40,185)	0.25
Balance, May 31, 2022	29,689,583	\$ 0.72

	Expiry Date	Warrants	Exercise Price	Remaining life
Finders' warrants	Sept 17, 2022	474,992	0.25	0.30
Private placement	Nov 19, 2022	8,000,000	0.60	0.47
Bought deal short form prospectus	Feb 10, 2026	19,164,550	0.80	3.70
Finders' warrants	Feb 10, 2026	2,050,041	0.60	3.70

As at May 31, 2022, the weighted-average remaining life of the outstanding warrants was 2.78 years. During the year ended May 31, 2022, the Company did not issue any warrants.

Mind Cure Health Inc.**Notes to the Consolidated Financial Statements**

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12. Share capital (cont'd)**Warrants (cont'd)**

During the year ended May 31, 2021, the Company issued 3,246,041 finders' warrants valued at \$1,274,797 using the Black-Scholes pricing model and the following weighted average assumptions:

	May 31, 2022	May 31, 2021
Share price	-	\$0.54
Exercise price	-	\$0.47
Fair value	-	\$0.39
Expected life	-	3.89 years
Volatility	-	100%
Risk-free interest Rate	-	0.41%

Deferred Share Units

As at May 31, 2022, the total outstanding deferred share units ("DSUs") were 1,601,376 (May 31, 2021 – nil)

	Number of DSUs	Weighted average price
DSUs outstanding at May 31, 2021 and 2020	-	-
DSUs granted	1,601,376	\$0.15
DSUs outstanding at May 31, 2022	1,601,376	\$0.15

The Company recognized an expense of \$237,500 in the year ended May 31, 2022 (May 31, 2021 – \$nil) recorded in share-based payments.

13. Income Taxes

A reconciliation of the income taxes at statutory rates to reported taxes is as follows:

	Year ended May 31, 2022	Year ended May 31, 2021
Net loss	\$ (14,141,082)	\$ (10,173,348)
Expected income tax (recovery)	\$ (3,818,000)	\$ (2,747,000)
Change in statutory, foreign tax, foreign exchange rates and other	(1,000)	3,000
Permanent differences	348,000	573,000
Adjustment to prior years provision versus statutory tax returns	(7,000)	-
Share issuance costs	-	(703,000)
Change in unrecognized deductible temporary differences	3,478,000	2,874,000
Total income tax expense (recovery)	\$ -	\$ -

Mind Cure Health Inc.**Notes to the Consolidated Financial Statements**

For the year ended May 31, 2022 and 2021

(Expressed in Canadian Dollars)

13. Income Taxes (cont'd)

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2022	2021
Deferred tax assets (liabilities)	-	-
Equipment and intangible assets	742,000	46,000
Share issuance costs	423,000	564,000
Allowable capital loss	35,000	-
Investments	115,000	(52,000)
Non-capital losses available for future period	5,061,000	2,340,000
	6,376,000	2,898,000
Unrecognized deferred tax assets	(6,376,000)	(2,898,000)
Net deferred tax assets	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2022	Expiry Date Range	2021	Expiry Date Range
Temporary differences				
Equipment and intangible assets	2,750,000	No expiry date	171,000	No expiry date
Allowable capital loss	129,000	No expiry date	-	-
Investments	850,000	No expiry date	-	-
Share issuance costs	1,566,000	2043 to 2046	2,089,000	2042 to 2045
Non-capital losses available for future periods	18,753,000	2040 to indefinite	8,286,000	2040 to indefinite
Canada	18,716,000	2040 to 2042	-	2040 to 2041
USA	37,000	No expiry date	-	No expiry date

Tax attributes are subject to review, and potential adjustment, by tax authorities.

14. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and cash equivalents held in bank accounts and with financial service firms. The majority of cash is deposited in bank accounts held with a major bank in Canada and a full-service financial services firm. As most of the Company's cash and cash equivalents is held by one bank and one financial services firm, there is a concentration of credit risk. This risk is managed by using a Canadian chartered bank. Credit risk related to cash and cash equivalents is assessed as low.

The Company is exposed to credit risk related to its accounts receivable, as these receivables are based on refundable tax credits owed to the Company by the Canadian government, which are at risk of being denied. The credit risk to the accounts receivable is assessed as low.

Mind Cure Health Inc.**Notes to the Consolidated Financial Statements**

For the year ended May 31, 2022 and 2021

(Expressed in Canadian Dollars)

14. Financial risk and capital management (cont'd)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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. As of May 31, 2022, the Company had working capital of \$7,100,608 (2021 - \$18,315,368) to cover short term obligations.

Historically, the Company's sole source of funding has been loans from related parties and private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as moderate.

Foreign exchange risk

The Company is exposed to currency risk to the extent that monetary operational expenses are denominated in both CAD and USD while functional currency of CAD is used for reporting. The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company had the following balances in monetary assets and monetary liabilities which are subject to fluctuation against CAD:

	Denominated in: US\$	
Cash	\$	6,624
Accounts payable and accrued liabilities		(1,248,820)
Total net US\$	\$	(1,242,196)
Foreign currency rate		1.2648
Equivalent to Canadian dollars	\$	(1,571,129)

Based on the above net exposures as at May 31, 2022, and assuming that all other variables remain constant, a 10% change of the USD against the CAD would increase the net loss by approximately \$157,113 (2021 – impact net loss by \$47,527).

Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at May 31, 2022, the Company did not have any financial instruments subject to interest rate risk.

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity and cash. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

Mind Cure Health Inc.**Notes to the Consolidated Financial Statements**

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(Expressed in Canadian Dollars)

14. Financial risk and capital management (cont'd)Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

The following is an analysis of the Company's financial instruments measured at fair value using level inputs as at May 31, 2022:

		As at May 31, 2022		
		Level 1	Level 2	Level 3
Financial assets				
Cash	\$	662,228	\$ -	\$ -
Cash equivalents		8,048,944	-	-
Financial liabilities				
Accounts payable and accrued liabilities	\$	1,888,914	-	-

Accounts receivable and accounts payable and accrued liabilities approximates their fair value due to the short-term maturity.

In determining the value of Level 3 investments, the Company considers general market trends, conditions, and transactions, to value the Company's Level 3 investments. The Company used a market approach.

15. Segmented Information

The Company's operations are currently located in a single geographical location in North America, specifically Canada. As at May 31, 2022, all long-lived assets were located in Canada.

16. Subsequent Events

Subsequent to the year ended May 31, 2022, 3,366,250 stock options expired (note 12).

Subsequent to the year ended May 31, 2022, the Company granted 1,026,778 DSUs to the directors of the Company.