MyndTec Inc.

Interim Condensed Consolidated Financial Statements (Unaudited)

As at March 31, 2023

(Expressed in Canadian Dollars, unless otherwise noted)

Interim Condensed Consolidated Financial Statements

MyndTec Inc.
Consolidated Statements of Financial Position
As at March 31, 2023 and December 31, 2022

	March 31 2023	December 31 2022
Assets		
Current assets		
Cash and short-term securities	**$ 145,873**	$ 68,621
Trade and other receivables (notes 3 and 12)	**25,422**	32,238
Inventories (note 4)	**236,552**	255,559
Prepaid expenses and deposits	**181,011**	46,127
	588,858	402,545
Non-current assets		
Right-of-use asset (note 5)	**31,136**	36,974
Equipment (note 6)	**186,639**	203,050
Total assets	**$ 806,633**	$ 642,569
Liabilities		
Current liabilities		
Trade and other payables (notes 7 and 12)	**$ 747,629**	$ 764,719
Deferred revenue (notes 8 and 12)	**17,000**	17,000
Current portion of long-term liabilities (note 9)	**488,902**	487,706
	1,253,531	1,269,425
Long-term liabilities, net of current portion		
Deferred revenue (notes 8 and 12)	**46,750**	51,000
Lease obligation (note 5)	**-**	6,253
Government loans (note 10)	**247,040**	241,230
Total liabilities	**1,547,321**	1,567,908
Shareholders' deficiency		
Share capital (note 13)	**14,201,912**	13,853,744
Contributed surplus (note 13)	**3,393,037**	3,176,353
Accumulated deficit	**(18,335,637)**	(17,955,436)
Total deficiency	**(740,688)**	(925,339)
Total liabilities and shareholders' deficiency	**$ 806,633**	$ 642,569

Nature of business and going concern (note 1)
Commitments and contingencies (note 18)
Subsequent events (note 23)

____*"Craig Leon"*_________Director

___*"Bill Jackson"*_________Director

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

MyndTec Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the three-month periods ended March 31, 2023 and 2022

	2023	2022
Revenue (note 12 and 22)	**$ 38,309**	$ 45,007
Cost of sales	**17,376**	23,538
Gross margin	**20,933**	21,469
Expenses		
General and administration (note 14)	**198,543**	210,134
Research and development (note 14)	**94,770**	131,982
Quality and regulatory assurance	**12,100**	6,616
Selling and marketing	**30,112**	36,113
Share-based compensation (note 13)	**27,572**	39,151
Interest and accretion expense (note 16)	**6,360**	46,964
Depreciation and amortization (note 5 and 6)	**22,249**	22,341
Clinical trial (note 18)	**-**	(35,857)
Changes in fair value (note 16)	**-**	22,325
Public listing costs (note 13)	**9,428**	230,013
Government grants and tax credits (note 17)	**-**	-
Total operating expenses	**401,134**	709,782
Net and comprehensive Loss	**$ (380,201)**	$ (688,313)
Loss per share - basic and diluted	**$ (0.02)**	$ (0.03)
Weighted average number of common shares outstanding - basic and diluted	**22,516,662**	21,228,213

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

MyndTec Inc.
Consolidated Statements of Changes in Shareholders' Deficiency
For the three-month periods ended March 31, 2023 and 2022

	Share Capital (note 13)	Contributed Surplus (note 13)	Accumulated Deficit	Totsl Surplus (Deficiency)
Balance, December 31, 2021	**$ 11,013,889**	**$ 1,268,088**	**$ (15,823,223)**	**$ (3,541,246)**
Net loss and comprehensive loss	-	-	(688,313)	(688,313)
Private placement (note 13)	1,891,640	1,062,662	-	2,954,302
Conversion of convertible debentures	1,013,336	641,849	-	1,655,185
Issuance expenses	(65,121)	(36,583)	-	(101,704)
Share-based compensation	-	39,151	-	39,151
Balance, March 31, 2022	**13,853,744**	**2,975,167**	**(16,511,536)**	**317,375**
Net loss and comprehensive loss	-	-	(1,443,900)	(1,443,900)
Share-based compensation	-	201,186	-	201,186
Balance, December 31, 2022	**$ 13,853,744**	**$ 3,176,353**	**$ (17,955,436)**	**$ (925,339)**
Net loss and comprehensive loss	-	-	(380,201)	(380,201)
Private placement (note 13)	394,187	178,013	-	572,200
Issuance expenses	(24,681)	$ (10,239)	-	(34,920)
Share-based compensation	-	27,572	-	27,572
Balance, March 31, 2022	**$ 14,223,250**	**$ 3,371,699**	**$ (18,335,637)**	**$ (740,688)**

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

MyndTec Inc.
Consolidated Statements of Cash Flows
For the three-month periods ended March 31, 2023 and 2022

	2023	2022
Cash flows from (to) operating activities		
Net loss and comprehensive loss	**$ (380,201)**	$ (688,313)
Items not affecting cash:		
Share-based compensation	**27,572**	39,151
Depreciation and amortization (note 5 and 6)	**22,249**	22,341
Interest accretion (note 16)	**7,516**	49,823
Changes in fair value (note 16)	**-**	22,325
Deferred revenue (note 8)	**(4,250)**	(5,312)
	(327,114)	(559,985)
Changes in non-cash working capital items		
Trade and other receivables	**6,816**	247,013
Inventories	**19,007**	17,607
Prepaid expenses and deposits	**(134,884)**	(88,345)
Trade and other payables	**7,360**	(829,110)
Net cash flows used in operating activities	**(428,815)**	(1,212,820)
Cash flows used in investing activities		
Purchase of equipment (note 6)	**-**	-
Net cash flows used in investing activities	**-**	-
Cash flows from (used in) financing activities		
Lease payments (note 5)	**(6,763)**	(6,505)
Repayment of deferred payment agreement (note 7)	**(24,450)**	(5,000)
Repayment of government loans (note 10)	**-**	(15,000)
Proceeds of Private Placement (note 13)	**537,280**	2,359,442
Net cash flows from (used in) financing activities	**506,067**	2,332,937
Increase in cash	**77,252**	1,120,117
Cash, beginning of period	**68,621**	377,065
Cash, end of period	**$ 145,873**	$ 1,497,182

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

1 Nature of business and going concern

MyndTec Inc. (the "Company" or "MyndTec") is a medical technology company that researches, develops and distributes innovative therapies designed to improve function, maximize independence and enhance the quality of life for individuals with paralysis due to stroke or spinal cord injury. The Company is incorporated under the Business Corporations Act of Ontario and its head office is located at 1900 Minnesota Court, Suite 122, Mississauga, Ontario, L5N 3C9. The Company became a publicly traded entity on the Canadian Securities Exchange on February 16, 2022 (note 13) and is listed under the symbol MYTC.

These unaudited interim condensed consolidated financial statements (the "financial statements") have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. There is no certainty whether the Company will generate significant revenues or attain profitable operations in the near future and there can be no assurance that it will achieve profitability in the future, as it incurred a net loss of $380,201 and had a negative cash flow from operations of $428,815 for the three-month period ended March 31, 2023, after incurring a loss of $2,132,213 and had a negative cash flow from operating activities of $2,343,697 for the year ended December 31, 2022. As at March 31, 2023 and December 31, 2022 the Company was in default on the Federal Economic Development Agency loan, with a principal balance of $412,242.

The Company has accumulated $18,335,637 of losses as at March 31, 2023 and its ability to continue as a going concern is dependent on it raising future required capital; bringing its products to market; and, achieving and maintaining profitable operations. The outcome of these matters cannot be predicted at this time. As a result, there exists a material uncertainty which creates significant doubt regarding the Company's ability to continue as a going concern. These financial statements do not include any adjustments and classifications of assets and liabilities, which might be necessary should the Company be unable to continue its operations. Such adjustments could be material.

2 Basis of presentation

Statement of compliance

These financial statements have been prepared by Management in accordance with International Financial Reporting Standards (IFRS) and with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB) and interpreted by the IFRS Interpretations Committee (IFRIC). These financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the most recent annual consolidated financial statements of the Company, including the notes thereto, for the year ended December 31, 2022.

These financial statements were approved and authorized for issuance by the Board of Directors of the Company on May 17, 2023.

Basis of Measurement

These financial statements have been prepared on a going concern basis using historical cost, except for those items designated as fair value through profit and loss.

Basis of consolidation

The financial statements include the accounts of the Company and its wholly owned subsidiary, MyndTec US Inc. which was incorporated by the Company in the United States on October 10, 2018. As at March 31, 2023 and 2022, the US subsidiary is inactive.

The accounts of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies, and the subsidiary is fully consolidated from its date of formation. All intercompany balances, transactions and unrealized gains and losses resulting from intercompany transactions are eliminated on consolidation.

Functional currency and presentation currency

These financial statements are presented in Canadian dollars ("CAD dollars"). The Company's functional currency is Canadian dollars and the functional currency of the Company's wholly owned subsidiary is the United States dollar.

2 Basis of presentation (continued)

Use of estimates and judgements

The preparation of these financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the interim condensed consolidated financial statements:

- ***Going concern***
  Judgement is required in determining if disclosure of a material uncertainty related to events or conditions which cast significant doubt on the Company's ability to continue as a going concern is required.

  The estimates used by management in reaching this conclusion are based on information available as of the date of these financial statements were authorized for issuance and included an internally generated cash flow forecast. Accordingly, actual results could differ from those estimates and resulting variances may be material to management's assessment.

  As indicated in note 1, a material uncertainty exists which creates significant doubt regarding the Company's ability to continue as a going concern. These financial statements do not include any adjustments or re-classifications of assets and liabilities, which might be necessary should the Company be unable to continue its operations. Such adjustments could be material.

- ***Leases***
  Values of right-of-use assets and lease liabilities require judgment in determining lease terms such as extension options and the incremental borrowing rate applied. The Company estimates the incremental borrowing rate based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated. Renewal options are only included if management is reasonably certain that the option will be renewed.

- ***Stock options and warrants***
  The Company uses the Black-Scholes valuation model to determine the fair value of stock option awards granted and warrants granted in conjunction with the share capital subscriptions. The fair value of the warrants granted in conjunction with the issuance of convertible debentures were determined using the Cox-Rubenstein Binomial model. Estimates are required for inputs to this model including the fair value of the underlying shares, the expected life of the option, volatility, expected dividend yield, forfeiture rates and the risk-free interest rate. Variation in actual results for any of these inputs will result in a different value of the share option realized from the original estimate. The assumptions and estimates used are further outlined in note 13.

- ***Convertible debentures and embedded derivative***
  Convertible debentures are compound financial instruments which are accounted for separately by their components: liabilities, equity and warrants. The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment by management. The separation of components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest or liability component. The determination of the fair value of the liability is also based on a number of assumptions including contractual future cash flows, discount rates, and presence of liabilities. Changes in the input assumptions can materially affect the fair value estimates and the Company's classification between debt and equity components.

2 Basis of presentation (continued)

Use of estimates and judgements (continued)

- ***Fair value of financial instruments***
  The individual fair values attributable to the different components of a financing transaction, notably loans and borrowings and convertible debentures are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine the values attributable to each component of a transaction at the time of their issuance. When determining the discount rate used to estimate the fair value of government loans, the Company considers market conditions and other internal and external factors as well as third-party financing agreements entered into by the Company. In determining the fair value of the Health Technology Exchange loan, the Company uses judgment to estimate the future loan repayments based on projected future revenue. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

- ***Income taxes***
  The Company computes an income tax provision in each of the tax jurisdictions in which it operates. Actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the interim condensed consolidated financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets against future taxable income based on an assessment of the ability to use the underlying future tax deductions before they expire. To the extent that estimates of future taxable income differ from the tax return, earnings would be affected in a subsequent period.

  In determining the amount of current and deferred tax, the Company considers the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expenses in the period that such a determination is made.

- **Revenue recognition**

  The Company recognizes revenue on the transfer of promised services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services by applying the following steps:
  - identify the contract with a customer;
  - identify the performance obligations in the contract;
  - determine the transaction price;
  - allocate the transaction price to the performance obligations; and,
  - recognize revenue when, or as, the Company satisfies a performance obligation.

  Revenue represents the amount the Company expects to receive for products and services in its contracts with customers, net of discounts and sales taxes. The Company derives treatment revenue based upon the use of the Company's MyndMove devices by treatment clinics, as well as the sale of its products and supplies to research institutions and treatment clinics. Treatment revenue is recognized on a monthly basis as services are provided. The sale of its products and supplies is recognized when delivered to the customer and all performance obligations have been satisfied. The sale of extended warranties is deferred and recognized over the warranty period.

  The Company recognizes revenue upon transfer of control of products or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for the products or services transferred. The Company evaluates contracts with customers to determine the appropriate performance obligations for revenue recognition purposes based on whether the product or service is distinct from some or all of the other products or services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct products and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation.

  The Company determines the transaction price at the outset of each arrangement and the total consideration is allocated to the distinct performance obligations based on their relative fair value. The Company has determined that the recurring services promised in a contract with a customer represent a series of distinct services that are substantially the same and have the same pattern of transfer over time to the customer and each delivery of service is accounted for as a single distinct performance obligation.

2 Basis of presentation (continued)

Use of estimates and judgements (continued)

The timing of revenue recognition and the contractual payment schedules often differ, resulting in some contractual payments being billed prior to the commencement of service. These amounts that are billed, but not earned, are recognized as deferred revenue in the consolidated statements of financial position. When products or services have been transferred to customers and revenue has been recognized, but not billed, the Company recognizes and includes these amounts as unbilled trade receivables in the consolidated statements of financial position.

The Company has elected to apply the practical expedient to not adjust the total consideration over the contract term for the effect of a financing component if the period between the transfer of services to the customer and the customer's payment for these services is expected to be one three-month period or less.

3 Trade and other receivables

The aging of trade and other receivables, net of expected credit losses, as at March 31, 2023 and December 31, 2022 were as follows:

	March 31 2023	December 31 2022
Trade receivables		
0 - 30 days	$ 15,955	$ 24,339
31-90 days	2,989	1,354
Over 90 days	678	509
	$ 19,622	$ 26,202
Commodity taxes	5,800	6,036
	$ 25,422	$ 32,238

During the three-month period ended March 31, 2023, the Company recorded $nil (2022 – $nil) of expected credit losses.

4 Inventories

The following are the Company's inventories as at March 31, 2023 and December 31, 2022:

	March 31 2023	December 31 2022
Production parts and clinical supplies	$ 60,577	$ 65,427
Finished devices	175,975	190,132
	$ 236,552	$ 255,559

During the three-month period ended March 31, 2023, inventory of $6,663 was recorded to cost of goods sold (2022 - $12,029). During the three-month period ended March 31, 2023, the Company recognized $nil write down of inventory (2022 - $nil).

5 Right-of-use asset and lease obligation

Changes in the right-of-use asset and lease obligation for the three months ended March 31, 2023 and year ended December 31, 2022 are as follows:

Right-of-use asset

	March 31 2023	December 31 2022
Cost		
Balance - beginning of period	$ 70,056	$ 70,056
Balance - end of period	70,056	70,056
Accumulated depreciation		
Balance - beginning of period	33,082	9,730
Amortization	5,838	23,352
Balance - end of period	38,920	33,082
Net book value - end of period	$ 31,136	$ 36,974

Lease obligation

	March 31 2023	December 31 2022
Balance - beginning of period	$ 31,213	$ 52,291
Accreted interest expense (note 16)	905	5,372
Lease payments	(6,763)	(26,450)
Balance - end of period	25,355	31,213
Less current portion (note 9)	25,355	24,960
Long-term portion	$ -	$ 6,253

The Company's right-of-use asset and lease obligation relate to the Company's office premises, a three-year agreement that terminates on July 31, 2024. The Company's fair value estimate of the new office lease addition and initial liability was $70,056, utilizing an incremental borrowing rate of 13.5%. Variable lease payments for the three-month period ended March 31, 2023 were $7,911 (2022 – $7,419), recognized in general and administrative expenses in the consolidated statements of loss and comprehensive loss for the three-month period.

6 Equipment

Net Book Value (NBV)	Computers Software and Equipment	Tooling	Treatment Devices	Total
Balance, December 31, 2021	$ 13,973	$ 56,752	$ 211,070	$ 281,795
Depreciation during the period	(2,143)	(3,114)	(11,246)	(16,503)
Balance, March 31, 2022	11,830	53,638	199,824	265,292
Additions during the period	-	-	42,005	42,005
Cost of sales during the period				
At cost	-	-	(40,000)	(40,000)
Accumulated depreciation	-	-	27,500	27,500
Depreciation during period	(5,425)	(9,169)	(77,153)	(91,747)
Balance, December 31, 2022	$ 6,405	$ 44,469	$ 152,176	$ 203,050
Depreciation during the period	(909)	(3,071)	(12,431)	(16,411)
Balance, March 31, 2023	5,496	41,398	139,745	186,639
Fully depreciated equipment				
Year ended December 31, 2022	$ 8,661	$ -	$ -	$ 8,661
NBV As at December 31, 2022				
Cost	$ 32,010	$ 87,198	$ 451,916	$ 571,124
Accumulated depreciation	(25,605)	(42,729)	(299,740)	(368,074)
Net book value	$ 6,405	$ 44,469	$ 152,176	$ 203,050
NBV As at March 31, 2023				
Cost	$ 32,010	$ 87,198	$ 451,916	$ 571,124
Accumulated depreciation	(26,514)	(45,800)	(312,171)	(384,485)
Net book value	$ 5,496	$ 41,398	$ 139,745	$ 186,639

7 Trade and other payables

The following are the Company’s trade and other payables as at March 31, 2023 and December 31, 2022:

	March 31 2023	December 31 2022
Trade and other payables	$ 209,374	$ 201,565
Salary of former interim CEO (note 12)	75,000	75,000
Warranty provision	16,769	17,218
Legal fees incurred up to January 24, 2022	284,550	309,000
Legal fees incurred after January 24, 2022	161,936	161,936
	$ 747,629	$ 764,719

7 Trade and other payables (continued)

Deferred Payment Agreement

On March 31, 2021, the Company entered into an agreement with its former legal firm, which was made in settlement of amounts payable by the Company for services provided in 2021 and up to January 24, 2022, that related to the preparation of the Company's non-offering prospectus and execution of its February 2022 private placement (Note13). The agreement provided for deferral of $339,000 of fees, to be paid at $2,500 per month from February 1, 2022 to June 1, 2023 plus $296,500 due and payable on June 30, 2023. In the event the Company closes a private placement (note 23) or public offering, the Company is required to pay down the outstanding balance as follows: i) if the offering is less than $3 million, the payment will be 5% of the original deferred balance; ii) if the offering is $3 million or more, the payment will be for the outstanding balance. Interest accrues on the balance beginning January 24, 2022 at an annual rate equal to the Royal Bank of Canada prime rate plus 5%, calculated and compounded monthly. Conditional upon the Company respecting the payment terms, the interest will be waived.

Loan payments of $24,450 were made in three-month period ended March 31, 2023 (year ended December 31, 2022 - $30,000) and the remainder of the loan is due for payment by June 30, 2023. The Company has not accrued any interest expense on this loan up to March 31, 2023.

On April 6, 2022, the Company obtained an Order for Assessment from the Ontario Superior Court of Justice to assess $213,570 of legal fees, of which the Company had already paid $51,634 and $161,936 remains unpaid as of March 31, 2023. As of March 31, 2023, there have been no mediation meetings or other formal proceedings in respect of this matter.

8 Deferred revenue

Current plus long-term deferred revenue was $63,750 as at March 31, 2023 (March 31, 2022 - $79,688). Deferred revenue of $4,250 was recognized in the three months ended March 31, 2023 (2022 - $5,312). The deferred revenue as at March 31, 2023 and 2022 relates to a five-year extended warranty for the engineering, manufacturing and delivery of devices to a research facility, the KITE Research Institute at the University Health Network, in Toronto, Canada, which is significantly influence by a director of the Company (note 12).

9 Current portion of long-term liabilities

The current portion of long-term liabilities as at March 31, 2023 and December 31, 2022 includes:

	March 31 2023	December 31 2022
Payable in cash		
Federal Economic Development Agency (note 10)	$ 412,242	$ 412,242
Health Technology Exchange (note 10)	23,854	23,854
Federal CEBA (note 10)	27,451	26,650
Total goernment debt	463,547	462,746
Lease obligations (note 5)	25,355	24,960
	$ 488,902	$ 487,706

10 Government loans

Government loans as at March 31, 2023 and December 31, 2022 include:

	March 31 2023	December 31 2022
Federal Economic Development Agency (FEDA)	$ 412,242	$ 412,242
Health Technology Exchange (HTE)	270,894	265,084
Federal CEBA	27,451	26,650
	710,587	703,976
Less current portion (note 9)	463,547	462,746
Long-term portion	$ 247,040	$ 241,230

Federal Economic Development Agency of Southern Ontario (FEDA) loan

The FEDA loan is unsecured, non-interest bearing and it provided initial financing of $919,518. On December 3, 2021, the payment terms for this loan were amended and, as at March 31, 2023, the principal balance outstanding on this loan is $412,242 (2022– $452,242).

On December 1, 2022, the Company defaulted on a payment due to FEDA and, as of December 31, 2022, the Company exhausted the allowed time to cure the default and the loan became immediately due and payable. No payments have been made since November 1, 2022. As a result, the fair value of the loan was amended to the actual outstanding amount and a loss on debt modification was recorded on December 31, 2022 in the amount $81,120.

Previously, the Company received the loan in tranches based on qualifying expenditures incurred. The Company initially determined the fair value of the loan based on the estimated future cash flows of the loan using a discount rate of 19.2%. The payment terms of the loan were amended on February 19, 2020, June 1, 2020 and December 3, 2021; in all instances extending the terms of repayment. On the amendment dates, the loan was revalued using an effective interest rate of 20.1% as at February 19, 2020, 19.2% as at June 1, 2020 and 19.2% as at December 3, 2021.

During the three-month period ended March 31, 2023 the Company recognized $nil (2022 – $19,015) of accretion expense (note 16) on this loan.

During the three-month period ended March 31, 2023, the Company made repayments of $nil (2022 - $15,000).

Health Technology Exchange (HTE) loan

The Health Technology Exchange loan is unsecured, bears interest at 3.1% per annum, is repayable based on 10% of certain preceding year gross revenue and provided initial financing of $749,600. As at March 31, 2023, the principal balance outstanding on this loan is $749,600 (2022 – $749,600), compared to the gross book value of the principal and interest payable as at March 31, 2023 of $754,388 (2022 - $748,578). As at March 31, 2023, the amount of the loan payable in the following twelve months is $23,854 (December 31, 2022 - $23,854). During the three-month period ended March 31, 2023, the Company made a repayment of $nil (2022 – $nil) and the Company recognized $5,810 (2022 – $5,809) of accretion expense on this loan (note 16).

The Company values the HTE loan at fair value at the end of each quarter, based on the estimated future cash flows of the loan using a discount rate of 20.0% and revenue growth rates between 10% and 30%. Therefore, the fair value of this loan is determined to be $270,894 as at March 31, 2023 (December 31, 2022 - $265,084), which, in the three months ended March 31, 2023, resulted in the Company recording a fair value adjustment gain of $nil (2022 – loss of $19,739) (note 16).

10 Government loans (continued)

Federal Canadian Emergency Business Account (CEBA) loan

The Federal CEBA loan is part of the Canadian federal government's support program in response to the COVID-19 pandemic, wherein the Company was able to obtain a $40,000 non-interest-bearing loan due on or before March 31, 2022. If the Company fully repays the loan by the due date, $10,000 of the loan will be forgiven.

On receipt of the loan in 2020, the Company determined the fair value of the loan based on the estimated future cash flows of the loan using a discount rate of 18.8%, which resulted in the Company recording income of $16,265 that was included in government grants and tax credits on the consolidated statements of loss and comprehensive loss during that three-month period. In 2022, the Government extended the due date to March 31, 2023, which required the Company to revalue the fair value of the loan and record a fair value adjustment gain of $3,469 in the year.

During the three-month period ended March 31, 2023, the Company recognized $801 (2022 – $628) of accretion expense on this loan (note 16).

A reconciliation of the government loans is as follows:

	March 31 2023	December 31 2022
Balance - beginning of period	$ 703,976	$ 751,369
Loan payments	-	(124,030)
Accretion expense (note 16)	6,611	87,713
Fair value adjustment of government loans (note 16)	-	(11,076)
Balance - end of period	710,587	703,976
Less current portion (note 9)	463,547	462,746
Long-term portion	$ 247,040	$ 241,230

11 Convertible debentures

A summary of the movement in convertible debentures is as follows:

	March 31 2023	December 31 2022
Balance - December 31, 2022 and 2021	$ -	$ 1,275,499
Accretion expense (note 16)	-	22,807
Conversion to share capital (note 13)	-	(1,298,306)
Balance - December 31, 2022 and March 31, 2023	$ -	$ -

On May 19, 2020, the Company issued unsecured convertible debentures with a maturity date of March 31, 2022, in an aggregate principal amount of $1,250,000. Interest accrued at a fixed annual interest rate of 8%, compounded annually and was payable on the maturity date. The convertible debenture was recorded at amortized cost using the effective interest rate of 18.4%. The fair value of the conversion option was determined to be $304,236 on issuance, using a discount rate of 1%, probability of 95% and expected timing of a qualified financing of June 2021.

The convertible debentures were determined to have completed a qualified transaction on February 4, 2022 and were converted to share capital at a 25% premium to their book value (note 13). When converted, these convertible debentures and accrued interest were to be converted into common shares at the fair market value of the respective common shares at the date of conversion, as determined by the Board, unless the conversion is a result of a qualified financing. Given the occurrence of a qualified financing, the convertible debentures and accrued interest were converted at a price per security equal to 80% of the price per security issued in the qualified financing.

11 Convertible debentures (continued)

As at March 31, 2021, the fair value of the conversion option was determined to be $354,292 using a discount rate of nil%, probability of 100% and expected timing of qualified financing of February 2022. On February 4, 2022, a fair value expense of $2,587 (2021 - $29,561) was recorded and on February 7, 2022, the convertible debentures were converted into share capital (note 13).

The embedded derivative and warrant liabilities related to the convertible debentures are as follows:

	Conversion Option
Balance - December 31, 2021	$ 354,292
Fair value loss (note 16)	2,586
Conversion to share capital (note 13)	(356,878)
Balance - December 31, 2022 and March 31, 2023	$ -

12 Related party balances and transactions

During the three months ended March 31, 2023 and 2022, the Company recognized treatment revenues and/or device sales revenues from LBB Applied Technology Inc., a significant shareholder of the Company. These transactions were made in the normal course of business.

The Company has a shareholder and director, who is employed by the KITE Research Institute at the University Health Network in Toronto, Canada (KITE), an Institution over which he has significant influence and to which the Company is committed to a long-term license agreement (note 19), requiring the semi-annual payment of royalty fees. In addition, the Company has entered into contracts with this Institution to sell MyndMove devices, which have been modified for research purposes; and, to purchase research and development (R&D) services.

In 2017, the Board approved the remuneration of a director, related to interim CEO services provided to the Company in addition to his role as director. As at March 31, 2023 and 2022, the entire $75,000 amount remains unpaid and is included in trade and other payables.

$517,200 of the $572,200 in private placement funds raised in January 2023 (note13), was from two significant shareholders, one of who is a director. $1,807,500 of the $2,954,302 in private placement funds raised in 2022 (note13), was from directors, officers and a significant shareholder.

12 Related party balances and transactions (continued)

A summary of the Company's related party transactions follows:

	March 31 2023	March 31 2022	December 31 2022
Revenue during the three-month period ended			
Treatment revenues	$ -	$ 23,347	
Sale of devices and parts	5,003	-	
	$ 5,003	$ 23,347	
Expenses during the three-month period ended			
Share-based compensation for directors and senior officers	$ 15,816	$ 38,260	
Salaries, fees and benefits for directors and senior officers	126,227	149,364	
License fees	1,232	1,585	
	$ 143,275	$ 189,209	
Assets - as at the date specified			
Accounts receivable from US Distributor	$ 7,131	$ 7,502	$ 15,147
Liabilities - as at the date specified			
Due to director for pre-2020 compensation	$ 75,000	$ 75,000	$ 75,000
License fees payable	$ 10,770	$ 11,343	$ 9,757
Deferred revenue	$ 63,750	$ 79,688	$ 85,000

13 Share capital, warrants and stock options

The Company is authorized to issue an unlimited number of common shares. The following is a summary of the Company's issued securities:

	Common Shares	Warrants	Stock Options	Fully Diluted Total
Balance, December 31, 2021	**17,099,796**	**1,259,535**	**987,500**	**19,346,831**
Private placement	2,954,302	2,954,302	-	5,908,604
Conversion of convertible debentures	1,784,402	1,784,402	-	3,568,804
Balance, March 31, 2022	**21,838,500**	**5,998,239**	**987,500**	**28,824,239**
Rights forfeited or expired	-	-	(122,500)	(122,500)
Options issued	-	-	250,000	250,000
Balance, December 31, 2022	**21,838,500**	**5,998,239**	**1,115,000**	**28,951,739**
Private placement	762,932	-	-	762,932
Balance, March 31, 2022	22,601,432	5,998,239	1,115,000	29,714,671

13 Share capital, warrants and stock options (continued)

January 2023 Private Placement Transaction

On January 11, 2023, the Company completed a non-brokered private financing with existing shareholders of 762,932 Units, at $0.75 per Unit, for a total subscription price of $572,200 and proceeds net of expenses of $537,280. Each Unit was comprised of one Common share and one warrant. The warrants have an exercise price of $0.90 per warrant and expire on January 11, 2026. Pursuant to this financing, the Company was required to make a $16,950 pre-payment of the deferred payment agreement amount due on June 30, 2023 (note 7). The common share issue Price of $0.75 represents approximately a 17% discount to the November 08, 2022 closing price of $0.90 for the Common Shares on the Canadian Securities Exchange (the "CSE").

The subscribers ultimately received 762,932 common shares of the Company and 762,932 warrants to acquire common shares of the Company at $0.90. The warrants expire January 11, 2026. Of the $537,280 in proceeds net of issue costs, $167,774 was allocated to the value of the warrants issued, based on a Black Scholes valuation of the warrants with an exercise price of $0.90; an estimated $0.60 value of common shares; a volatility rate of 76.94%; an expected 3-year life for the warrants; and a risk-free interest rate of 2.99%.

$537,200 of the $572,200 proceeds were received from a director and a significant shareholder.

February 2022 Private placement transaction and public company listing

On February 16, 2022, the Company completed a non-brokered private financing, for a total of $2,954,302 of which $594,860 was received by the Company as of March 31, 2021, and was recorded in the statement of financial position as deposits for future share financings. The remaining $2,359,442 of proceeds was received by the Company, from the Escrow Trustee, on February 18, 2022. Offsetting those amounts allocated to share capital and contributed surplus, the Company incurred $101,704 of share issue costs that were recorded in prepaid expenses and deposits as at March 31, 2021.

The subscribers ultimately received 2,954,302 common shares of the Company and 2,954,302 warrants to acquire common shares of the Company at $1.00. The warrants expire February 7, 2027. Of the $2,852,598 in proceeds net of issue costs, $1,062,662 was allocated to the value of the warrants issued, based on a Black Scholes valuation of the warrants with an exercise price of $1.00; an estimated $0.65 value of common shares; a volatility rate of 80.8%; an expected 5-year life for the warrants; and a risk-free interest rate of 1.31%.

Concurrent with the completion of the second private placement, the Company became a listed public company on the Canadian Securities Exchange.

As at March 31, 2023, the Company had 7,317,424 common shares held in escrow (December 31, 2022 – 9,146,781).

Conversion of Convertible debentures

The secondary private placement created a qualified financing, as defined in the convertible debenture agreements, for the Company's existing convertible debentures. Effective February 4, 2022, the Company's outstanding carrying value of convertible debentures, accumulated interest and the related conversion liability (note 11), amounting to $1,655,185, were converted into 1,784,402 subscription receipt units at $0.80 per subscription receipt unit. Of the $1,655,185, $641,849 was allocated to the value of the warrants issued, based on a Black Scholes valuation of the warrants with an exercise price of $1.00; an estimated $0.65 value of common shares; a volatility rate of 80.8%; an expected 5-three-month period life for the warrants; and a risk-free interest rate of 1.31%.

Warrants and Options

On March 31, 2023, the Company had:

- 1,259,535 of fully vested warrants outstanding, exercisable into one common share per warrant at an exercise price of $1.06, that expire on May 3, 2023.
- 4,738,704 of fully vested warrants outstanding, exercisable into one common share per warrant at an exercise price of $1.00, that expire on February 16, 2027.

On March 31, 2023, the Company had 1,115,000 options outstanding, with a weighted average exercise price of $0.93 and weighted average remaining life of 7.11 years. 742,500 of the options are fully vested.

13 Share capital, warrants and stock options (continued)

The Company has issued the following options since December 31, 2020:

	2022		2021	
	May 3	**March 1**	**August 16**	**June 1**
Options	200,000	50,000	100,000	500,000
Exercise Price	$0.95	$1.00	$1.00	$1.00
Estimated share price value	$0.95	$0.95	$0.71	$0.71
Volatility	80.80%	80.80%	78.80%	78.80%
Expected life in years	5	5	7	7
Risk-free interest rate	2.93%	1.62%	1.41%	1.41%
Dividend yield	nil	nil	nil	nil
Estimated value per option	$0.627	$0.607	$0.474	$0.474
Total Valuation	$125,382	$30,354	$47,395	$236,976

14 Breakdown of expenses by nature

	2023	2022
Salaries and benefits (note 15)	$ 91,838	$ 110,752
Accounting, legal and professional fees	41,651	49,900
Technology expense	23,905	15,159
Additional rent	7,911	7,419
Insurance	31,354	21,384
Other expenses	1,884	5,520
Total general and administration	$ 198,543	$ 210,134
Salaries and benefits (note 15)	$ 82,316	$ 85,776
Patent expenses	7,963	34,766
Other development expenses	4,491	11,440
Total research and development	$ 94,770	$ 131,982

15 Salaries and benefits (note 12)

	2023	2022
General and administration (note 14)	$ 91,838	$ 110,752
Research, development and quality control (note 14)	82,316	85,776
Selling and marketing	17,500	16,495
Clinical trial (note 18)	-	58,114
	$ 191,654	$ 271,137

16 Interest and accretion expense and changes in fair value

	2023	2022
Government Loans		
Government loan - FEDA	$ -	$ 19,015
Government loan - HTE	5,810	5,809
Government loan - CEBA	801	628
Total for government loans (note 10)	6,611	25,452
Lease obligations (note 5)	905	1,564
Convertible debentures (note 11)	-	22,807
Total accretion expense	7,516	49,823
Short term interest	(1,156)	(2,859)
Total interest and accretion expense	$ 6,360	$ 46,964
Government Loans		
Government loan - HTE	$ -	$ 19,739
Total for government loans (note 10)	-	19,739
Convertible debentures, conversion option liability adjustment (note 11)		2,586
Total change in fair value	$ -	$ 22,325

17 Government grants and tax credits

The Company received $nil government grants or tax credits in the three-month ended March 31, 2023 (2022 - $nil). The Canada Revenue Agency is still reviewing the Company's $270,357 claim for the year ended December 31, 2021 and its $21,762 claim for the 45 days ended February 15, 2022, neither of which have been recognized in the Company's financial statements.

Scientific research and experimental development tax credits (SR&ED)

The Company periodically made claims for SR&ED deductions and related expenses for income tax purposes, based on management's interpretation of the applicable legislation in the Income Tax Act (Canada).

On February 16, 2022, when the Company became publicly listed, it no longer qualifies for cash refundable SR&ED credits from that date forward, which will cause the Company's net research and development expenses to increase.

18 Clinical trial

The Company is party to an arrangement funded by the United States Department of Defense, for a total of US$2,014,378, wherein the Company is responsible to manage a clinical trial of its MyndMove device. The Company has no obligation as to the outcome of this trial and is eligible to recover all costs of the participating clinics and supervising clinic once the respective funds have first been received from the US Federal Government. This trial was completed on July 28, 2022.

19 Commitments and contingencies

On August 29, 2012, the Company entered into an agreement with a health services institution whereby it granted the Company an exclusive worldwide license to commercialize certain intellectual property related to a functional electrical stimulation device and system; for which the Institution received 400,000 of the Company's common shares, with a fair value of $400,000. In addition, the Company is committed to paying a cumulative royalty on the net sales of stimulators used to treat motor dysfunction, as follows:

- 0% on the first $1,000,000 cumulative net sales;
- 4% on the cumulative net sales exceeding $1,000,000 but not greater than $7,500,000; and,
- 1% on the cumulative net sales exceeding $7,500,000.

The amount of these fees of the three months ended March 31, 2023 and 2022 are disclosed in Note 12.

The Company's lease commitments are disclosed in Note 5.

20 Capital Management

The Company's capital management objectives are to maintain financial flexibility in order to pursue its product development and commercialization strategy, and ultimately provide long-term returns to its shareholders. This strategy relies significantly on the Company's ability to demonstrate growing efficacy creation in its medical devices, in order to convince potential investors to invest more capital in the Company's development efforts.

The Company defines capital as the aggregate of its share capital and borrowings.

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay financial liabilities, issue shares, repurchase shares, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances. The Company is not subject to any externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the three-month period ended March 31, 2022.

21 Financial instruments and risk management

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits with banks and outstanding receivables. The Company trades only with recognized, creditworthy third parties. The Company performs credit checks for all customers who wish to trade on credit terms.

The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Credit loss impairment is determined based upon review of specific accounts as the Company does not have significant historical uncollectable receivables. As at March 31, 2023, the Company had $3,617 in overdue trade and other receivables (December 31, 2022 – $1,863).

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they come due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows, the issuance of share capital and if desired, the issuance of debt. The Company's trade and other payables are all due within twelve months from the date of these interim condensed consolidated financial statements.

If unanticipated events occur that impact the Company's ability to meet its forecast and continue to fund customer acquisition cost, research and development, and administrative requirements, the Company may need to take additional measures to increase its liquidity and capital resources, including obtaining additional debt or equity financing or strategically altering the business forecast and plan. In this case, there is no guarantee that the Company will obtain satisfactory financing terms or adequate financing. Failure to obtain adequate financing on satisfactory terms could have a material adverse effect on the Company's results of operations or financial condition.

21 Financial instruments and risk management (continued)

Liquidity risk (continued)

The Company is obligated to the following contractual maturities of undiscounted cash flows as at March 31, 2022:

	Payments Due			
	Less than 1 year	2 - 3 years	After 3 years	Total
Trade and other payables	$ 747,629	$ -	$ -	$ 747,629
Office lease - base rent and common area	25,355	-	-	25,355
Government loans (undiscounted)	463,547	35,781	694,753	1,194,081
	$ 1,236,531	$ 35,781	$ 694,753	$ 1,967,065

Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk:

- **Foreign currency risk** arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company's primary exposure with respect to foreign currencies is from United States dollar denominated cash, trade and other receivables, and trade and other payables. As at March 31, 2023, a 1% change in the foreign exchange rates would result in a $206 impact to the financial statements (2022 - $248).
- **Interest rate risk** is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as at March 31, 2023 and 2022 because all of its indebtedness is at fixed rates.
- **Other price risk** is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risk as at March 31, 2023 and 2022.

Fair values

The carrying values of cash, trade and other receivables excluding HST, trade and other payables excluding HST, and lease obligations are considered representative of their respective fair values due to the short-term period to maturity. The government loans approximate their fair value as the interest and discount rates are consistent with the current rates offered by the Company for its loans with similar terms. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- **Level 1** – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- **Level 2** – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- **Level 3** – Significant unobservable inputs that are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. During the three-month period, there were no transfers of amounts between levels. The fair value of derivative and warrant liabilities and HTC government loan are determined using level 3 inputs.

21 Financial instruments and risk management (continued)

Fair values (continued)

Financial instruments measured at fair value using level 3 inputs:

	Valuation technique	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value**
Derivative liabilities	Probability weighted discounted cash flow (note 11)	- Discount rate - Expected timing and probability of qualified transaction	An increase in the probably or earlier expected date of Qualified Financing would increase the fair value of the derivative liability.
Warrant liabilities	Black Scholes (note 13)	- Share price - Volatility	An increase in share price or volatility would increase the fair value of the warrant liabilities.
HTC government loan	Discounted cash flows (note 10)	- Discount rate - Expected timing of repayments based on revenue forecast	An increase revenue growth or decrease in discount rate would increase the fair value of the HTC government loan.

22 Segmented information

The Company reports segment information based on internal reports used by the chief operating decision maker ("CODM") to make operating and resource decisions and to assess performance. The CODM is the Chief Executive Officer.

The Company has revenues from sales in Canada and from Canada to the United States and has one operating segment which includes income related to its MyndMove device and a variation of that device, called MyndSearch, which has been modified for research purposes. The two types of revenue that are earned from MyndMove include: (1) treatment fees, from treatment clinics that use the Company's MyndMove devices and (2) product sales, which are revenues from the sale of MyndMove or MyndSearch devices to clinics or research institutions and the sale of treatment supplies.

All treatment devices are located in Canada, except for six devices located in the United States, and all sales of devices have occurred in Canada. Revenue by geographical location and by services and products delivered were as follows:

	2023	**2022**
Revenue by geographic location of customers		
Canada	$ 33,306	$ 21,660
Non-Canadian	5,003	23,347
	$ 38,309	$ 45,007
Revenue by services and products delivered		
Treatment fees	$ 16,600	$ 39,628
Product sales	21,643	5,313
Other	66	66
	$ 38,309	$ 45,007

23 Subsequent events

Pending Private Placement Offer

On March 22, 2023, the Company announced that it has launched a non-brokered private placement of up to 1,333,333 units of the Company at an issue price of $0.75 per Unit to raise aggregate gross proceeds to the Company of up to $1,000,000. Each Unit shall be comprised of one common share in the capital of the Company and one common share purchase warrant, whereby each warrant will be exercisable to acquire one common share at an exercise price of $0.90 per warrant for a period of 36 months following the date of issuance.