UNIVERSAL IBOGAINE INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2023 AND 2022

Independent Auditor's Report

To the Shareholders of Universal Ibogaine Inc.:

Opinion

We have audited the consolidated financial statements of Universal Ibogaine Inc. (the "Company"), which comprise the consolidated statement of financial position as at July 31, 2023, and the consolidated statements of loss and comprehensive loss, cash flows, shareholders' equity (deficiency) for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended July 31, 2023 and, as of that date, the Company incurred net losses, generated negative cash flows from operations, had a working capital deficiency and an accumulated deficit. As stated in Note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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

MNP LLP
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Impairment of Long-Term Assets

Key Audit Matter Description

We refer to note 7. During the year ended July 31, 2023, the Company recorded an impairment of $360,000 on its long-term assets. An impairment is recognized if the carrying amount of the long-term assets exceed their recoverable amount. Management determined that the recoverable amount of its land held for resale was less than its carrying value and recorded an impairment. Determining the recoverable amount of the Company's long-term assets required significant judgment and resulted in an increased extent of audit effort. As a result, this was considered a key audit matter.

Audit Response

We responded to this matter by performing procedures in relation to management's impairment analysis. Our audit work in relation to this included, but was not restricted to, the following:

- We obtained the independent appraisals completed for certain of the Company's long-term assets and verified the appraiser's independence.
- We engaged our valuations expert to review the independent appraisal and comment on the reasonableness of the methodologies used as well as evaluate the qualifications of the appraiser. We compared the appraised values, after deducting the estimated costs of disposal, to the carrying value of the long-term assets.
- With the assistance of our own valuation's expert, we reviewed recent sales of comparable properties to assess the reasonableness of managements estimated fair value of the land held for resale.

Other Matter

The consolidated financial statements of the Universal Ibogaine Inc. as at and for the year ended July 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on November 29, 2022.

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 International Financial Reporting Standards, 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.

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

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

Calgary, Alberta

MNP LLP

January 25, 2024

Chartered Professional Accountants

UNIVERSAL IBOGAINE INC.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

As at July 31	Note	2023	2022
ASSETS			
Current assets:			
Cash and cash equivalents	17	313,263	726,047
GST and other receivables	23	75,946	231,004
Prepaids and deposits		54,254	59,548
Total current assets		443,463	1,016,599
Long-term assets:			
Capital assets	7	3,658,729	5,301,016
Land held for resale	7	1,400,000	-
Total long-term assets		5,058,729	5,301,016
Total assets		5,502,192	6,317,615
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Trade payables and accrued liabilities	8	867,241	636,993
Deferred revenue	3	105,997	-
Current portion of lease obligations	13	18,310	-
Current portion of mortgage payable	11	1,796,849	1,557,673
Total current liabilities		2,788,397	2,194,666
Long term liabilities:			
CEBA Loan payable	10	180,000	180,000
Convertible debt securities	12	757,727	-
Lease obligations	13	24,365	-
Total long term liabilities		962,092	180,000
Total liabilities		3,750,489	2,374,666
Shareholders' equity:			
Share capital	14	22,837,754	22,801,254
Contributed surplus		4,041,088	3,878,423
Accumulated other comprehensive income		5,478	5,478
Deficit		(25,132,617)	(22,742,206)
Total shareholders' equity		1,751,703	3,942,949
Total liabilities and shareholders' equity		5,502,192	6,317,615

Nature of Operations and Going Concern (Note 1)
Legal claims (Note 19)
Subsequent events (Note 24)

Approved on behalf of the Board of Directors

"Signed" *"Signed"*

Nicholas Karos, Director James Duncan, Director

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

UNIVERSAL IBOGAINE INC.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

Years ended July 31	Note	2023	2022
Revenues		1,029,989	1,070,804
Operating expenses		1,058,022	573,653
Operating profit (loss)		(28,033)	497,151
General and administrative expenses		1,611,703	3,664,150
Research expenses		9,212	409,311
		(1,648,948)	(3,576,310)
Other expense (income):			
Depreciation	7	296,046	266,398
Interest and finance charges		136,034	67,742
Share based compensation expense	16	105,702	903,537
Accretion of convertible debt securities	12	17,190	-
Insurance claim recoveries, net of repair costs		(186,891)	-
Impairment of land held for resale	7	360,000	1,242,612
Impairment of goodwill	5	-	1,464,327
Other expenses		13,382	127,577
Listing expenses	6	-	2,847,699
		741,463	6,919,892
Net loss for the year		(2,390,411)	(10,496,202)
Other comprehensive loss:			
Foreign currency translation adjustments		-	(875)
Comprehensive loss for the year		(2,390,411)	(10,497,077)
Weighted average number of common shares outstanding:			
Basic		191,298,257	185,636,855
Diluted		191,298,257	185,636,855
Net loss per share - basic and diluted		$ 0.01	$ 0.06

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

UNIVERSAL IBOGAINE INC.

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

Years ended July 31	2023	2022
Cash provided by (used in):		
Operating activities:		
Net loss for the year	(2,390,411)	(10,496,202)
Adjustments for non-cash items:		
Depreciation (Note 7)	296,046	266,398
Share based compensation expense (Note 16)	105,702	903,537
Accretion of convertible debt securities (Note 12)	17,190	-
Impairment of land held for resale (Note 7)	360,000	1,242,612
Impairment of goodwill (Note 5)	-	1,464,327
Non-cash expenses paid in common shares	17,500	-
Listing expenses (Note 6)	-	2,794,740
Unrealized foreign exchange	-	(875)
	(1,593,973)	(3,825,463)
Changes in non-cash working capital items (Note 17)	496,598	(507,704)
Net cash used in operating activities	(1,097,375)	(4,333,167)
Investing activities:		
Purchase of capital assets (Note 7)	(360,037)	(95,680)
Proceeds from disposal of capital assets	-	11,855
Kelburn acquisitions	-	(2,048,139)
Decrease in deferred acquisition costs	-	42,929
Net cash used in investing activities	(360,037)	(2,089,035)
Financing activities:		
Proceeds from issuance of common shares (Note 14)	10,000	73,500
Share issue costs	-	(292,720)
Mortgage financing received (Note 11)	300,000	1,630,000
Mortgage repayments	(60,824)	(72,327)
Proceeds from issue of convertible debt securities (Note 12)	806,500	-
Repayment of lease obligations	(11,048)	-
Proceeds from the Offering (Note 1 a)	-	6,000,000
Proceeds from exercise of stock options	-	17,600
Repayment of promissory notes payable (Note 9)	-	(350,000)
Net cash provided by financing activities	1,044,628	7,006,053
(Decrease) increase in cash and cash equivalents	(412,784)	583,851
Cash and cash equivalents, beginning of the year	726,047	142,196
Cash and cash equivalents, end of the year	313,263	726,047

Supplemental disclosures with respect to cash flows (Note 17)

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

UNIVERSAL IBOGAINE INC.

Consolidated Statements of Shareholders' Equity (Deficiency)
Years ended July 31, 2023 and 2022
(Expressed in Canadian dollars)

	Number of shares issued	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
	#	$	$	$	$	$
Balance, July 31, 2021	131,092,568	13,786,108	1,397,449	6,353	(12,246,004)	2,943,906
Share Units issued:						
For cash	190,000	47,500	-	-	-	47,500
For services received	104,000	26,000	-	-	-	26,000
On Kelburn acquisitions (Note 5)	9,448,745	2,362,186	-	-	-	2,362,186
Share issue costs	-	(292,720)	-	-	-	(292,720)
Value attributed to Warrants issued on the Kelburn acquisitions (Note 5)	-	(472,437)	472,437	-	-	-
Penalty shares issued on Amalgamation (Note 6)	13,171,436	2,634,287	-	-	-	2,634,287
Amalgamation with PSQ and Subco (Notes 6)	36,085,850	5,797,730	-	-	-	5,797,730
Value attributed to Warrants issued in the Offering (Note 6)	-	(1,200,000)	1,200,000	-	-	-
Exercise of broker options (Note 15 b)	176,000	17,600	-	-	-	17,600
Share based compensation expense (Note 16)	475,000	95,000	808,537	-	-	903,537
Comprehensive loss	-	-	-	(875)	(10,496,202)	(10,497,077)
Balance, July 31, 2022	190,743,599	22,801,254	3,878,423	5,478	(22,742,206)	3,942,949
Shares issued (Note 8)	400,000	10,000	-	-	-	10,000
Shares issued for services (Note 19)	350,000	17,500	-	-	-	17,500
Share based compensation expense (Note 16)	-	-	105,702	-	-	105,702
Performance shares issued (Note15 (e))	225,000	9,000	(9,000)	-	-	-
Discount on convertible debt securities (Note 12)	-	-	65,963	-	-	65,963
Comprehensive loss	-	-	-	-	(2,390,411)	(2,390,411)
Balance, July 31, 2023	191,718,599	22,837,754	4,041,088	5,478	(25,132,617)	1,751,703

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

1. Nature of operations and going concern

Universal Ibogaine Inc. ("UI" or the "Company") was originally incorporated in 2017 under the Alberta Business Corporations Act as P Squared Renewables Inc. ("PSQ"), which was a Capital Pool Corporation ("CPC") under the policies of the TSX Venture Exchange Inc. (the "TSXV"). The head office of the Company is located in Calgary, Alberta (c/o Suite 600 – 815 8th Avenue SW, Calgary, Alberta, T2P 3P2).

The Company is in the initial stages of implementing and financing its business plan, which is to develop a network of addiction treatment clinics and to undertake a planned clinical trial for research in Canada into the use of ibogaine, a natural plant based substance, for addiction treatment.

As part of the 2021 Amalgamation and go-public transactions described below, the Company closed the acquisition (see Note 5) of an addiction treatment business, the "Kelburn Recovery Centre", which operates near Winnipeg, Manitoba.

a) Amalgamation on August 31, 2021 and name changes

In 2019, PSQ entered into an agreement with a privately held company, Universal Ibogaine Inc. ("UI"), whereby PSQ and UI would merge and allow the combined company to become a publicly listed company (the "Resulting Issuer" or the "RI").

Effective August 31, 2021, PSQ, UI and 1266855 B.C. Ltd. ("Subco", incorporated in 2020 as a wholly-owned subsidiary of PSQ) completed a three-cornered amalgamation (the "Amalgamation"), pursuant to which PSQ acquired 100% of the outstanding shares of UI by way of a share exchange, summarized as follows:

1. PSQ issued common shares and issued related replacement options and warrants securities of the Resulting Issuer, on a 1 for 1 basis, to the shareholders of UI, and UI became a wholly owned subsidiary of PSQ on August 31, 2021;

2. Subco closed a non-brokered financing required under the terms of the Amalgamation Agreement, and raised gross proceeds of $6,000,000 from an offering of Subscription Receipt units (the "Offering") at a price of $0.25 per unit (each a "Subco Unit", which consisted of the right to receive one common share and one share purchase Warrant). The Subco Units were exchanged for one common share and one Warrant of the Resulting Issuer, and each RI Warrant entitles the holder to purchase an additional RI common share (at an escalating annual exercise price, rising from $0.50 if exercised in year 1 from issue, to $1.50 in year 5) for a period of 5 years to August 31, 2026 (see also Note 15 d));

3. UI amalgamated with Subco and the amalgamated entity continued as Clear Sky Recovery Solutions Inc. ("CSRS"); and

4. Effective September 15, 2021, PSQ changed its' name and continued as Universal Ibogaine Inc., which is the Resulting Issuer entity that became publicly listed on the TSXV effective October 5, 2021.

The Amalgamation with UI, along with closing of the $6 million Offering and closing by UI of its agreement to acquire the Kelburn Recovery Centre, all occurred effective August 31, 2021, and constituted PSQ's Qualifying Transaction (the "QT"), which allowed it to meet the listing requirements of the TSXV. Trading of the common shares of the Resulting Issuer commenced on October 5, 2021.

The shareholders of UI received a majority of the shares of the Resulting Issuer on closing of the Amalgamation as follows, and as the transaction resulted in a reverse-take-over ("RTO") by UI of PSQ, UI was considered the successor Resulting Issuer entity.

Shares held by PSQ shareholders at Amalgamation (6.3% of total)	12,085,850
Shares issued to UI shareholders upon Amalgamation (81.1%)	154,481,749
Shares issued on closing of Subscription Receipt Offering by Subco (12.6%)	24,000,000
Shares of the Resulting Issuer on closing of the Amalgamation	190,567,599

Each of UI's outstanding warrants, options and any other convertible securities (including promissory notes payable) were exchanged for warrants, options and convertible securities of the Resulting Issuer on substantially the same economic terms and conditions as the existing outstanding warrants, options and other convertible securities of UI.

b) Going concern basis of presentation

The accompanying consolidated financial statements (the "Financial Statements") have been prepared assuming that the Company will continue as a going concern. The Company has to date incurred net losses and generated negative cash flows from operations - factors which form a material uncertainty that raises significant doubt regarding the Company's ability to continue as a going concern. These Financial Statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its' ability to raise sufficient financing to fund its' business plans and it intends on financing its future development activities and operations from the sale of additional equity securities. Although the Company has been successful raising capital in the past, there is no assurance such will continue to be successful in the future (see also Note 24).

The Company's lack of positive cash flow and need to raise additional financing indicate conditions that cause material uncertainties that may cast significant doubt regarding the applicability of the going concern assumption. Realization values may be substantially different from carrying values as shown and these Financial Statements do not give effect to adjustments that would be necessary if the Company were not to continue as a going concern.

2. Basis of presentation

Statement of compliance

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These Financial Statements were approved and authorized for issue by UI's Board of Directors on January 25, 2024.

Basis of measurement

These Financial Statements have been presented in Canadian dollars (unless otherwise stated) which is UI's functional and reporting currency.

The Financial Statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of consolidation

These Financial Statements include the financial statements of the Company and entities controlled by the Company. 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 Company's subsidiaries are included in these Financial Statements.

All intercompany balances and transactions, income and expenses have been eliminated upon consolidation. The Company's subsidiaries are:

Name of subsidiary	Place of incorporation	Ownership July 31, 2023	Ownership July 31, 2022
6887016 Manitoba Ltd.	Manitoba, Canada	100%	100%
Clear Sky Recovery Solutions Inc. ("CSRS")	B.C., Canada	100%	100%
Universal Ibogaine Belize Ltd. ("UI Belize")	Belmopan, Belize	100%	100%
Iboquest Wellness Centers Inc. ("IWC")	B.C., Canada	100%	100%

Use of estimates and judgments

The preparation of the Financial Statements in compliance with IFRS requires management to make certain accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed herein in Note 4.

3. Significant accounting policies

Revenue recognition

Revenues related to the delivery of addiction treatment and mental health services are recorded over the period of treatment, as it becomes delivered, with a deferred revenue amount recognized at each fiscal period (and included in current liabilities) for the portion of revenues billed which have not yet delivered.

Foreign currency transactions

Foreign currency accounts are translated into UI's functional currency, the Canadian dollar, as follows:

At the transaction date, each asset, liability, revenue, and expense denominated in a foreign currency is translated into Canadian dollars using the exchange rate in effect at that date. At the period end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the period end date and the related translation differences are recognized in net income. Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Foreign currency gains and losses on transactions or settlements are recognized in the statement of loss and comprehensive loss.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined, and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

The financial statements of foreign operations are translated into Canadian dollars with assets and liabilities translated at the current rate on the financial statements date and revenue and expense items translated at the average rates for the period. Translation adjustments are recorded as accumulated other comprehensive income in shareholders' equity.

Equipment

Recognition and measurement

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company. Such costs include appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, except for land which is not depreciated.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized on a net basis in profit or loss.

Depreciation expense

Depreciation expense is recognized in profit or loss and is provided on a straight-line and declining balance basis over the estimated useful life of the assets as follows:

Equipment	5 years
Vehicles	10 years
Computer equipment	55% declining balance
Furniture and equipment	20% declining balance
Building improvements	5 years

Buildings	15 years

Land is not depreciated as the useful life of the asset is indefinite.

Depreciation methods, useful lives and residual values are reviewed at each financial period end and adjusted if appropriate.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior periods. Such reversal is recognized in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase. Impairment of goodwill cannot be reversed.

Financial instruments

Financial instruments are accounted for in accordance with IFRS 9, "Financial Instruments: Classification and Measurement".

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash is measured at FVTPL. Other receivables and due from related parties are measured at amortized cost.

Impairment of financial assets

IFRS 9 uses the expected credit loss ("ECL") model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company's accounts receivable balances.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) FVTPL; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Trade payables and accrued liabilities, the CEBA Loan payable, lease obligations, mortgage payable, and convertible debt securities are classified under other financial liabilities and carried on the statement of financial position at amortized cost.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

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

UI uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. 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.

The carrying value of the Company's financial instruments approximate their fair values due to their short-term maturities. Cash is measured at fair value on recurring basis.

Income taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used are those that are enacted or substantively enacted by the end of the reporting date.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting. The change in the net deferred income tax asset or liability is included in income except for deferred income tax relating to equity items which is recognized directly in equity. The income tax effects of differences in the periods when revenue and expenses are recognized, in accordance with Company accounting practices, and the periods they are recognized for income tax purposes are reflected as deferred income tax assets or liabilities. Deferred income tax assets and liabilities are measured using the substantively enacted statutory income tax rates which are expected to apply to taxable income in the years in which the assets are realized or the liabilities settled. A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity and are intended to be settled on a net basis.

The determination of current and deferred taxes requires interpretations of tax legislation, estimates of expected timing of reversal of deferred tax assets and liabilities, and estimates of future earnings.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issuance of common shares and equity warrants are recognized as a deduction from equity, net of any tax effects. Transaction costs directly attributable to derivative instruments are charged to operations as a finance cost.

Share-based payments

The Company may grant stock options ("Options") to buy common shares of the Company to directors, officers, employees, consultants and other advisors. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee. The fair value of Options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period of the Options. The fair value of share-based payments are initially recorded as an expense or share issuance cost, with an offsetting credit recorded to contributed surplus. Subsequently, the consideration proceeds received by the Company for the shares issued on the exercise of Options and other share-based securities is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Loss per share

Basic loss per share is calculated by dividing the net income or loss attributable to the common shareholders of the Company by the weighted average number of common shares outstanding and reduced by any shares that are contingently returnable during the reporting period. Diluted loss per share is calculated by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding, plus all additional common shares that would have been outstanding if potentially dilutive instruments (such as Options and warrants) were converted and reduced by any shares held in escrow.

Leases

Leases are accounted for using IFRS 16. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone amounts.

The Company recognizes the right-of-use asset and a lease liability at the commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate as the discount rate.

Adopted and Future accounting pronouncements

<u>Amendments to IAS 1 – Presentation of Financial Statements</u>

In October 2022, the IASB issued amendments to IAS 1, Presentation of Financial Statements, related to Non-current Liabilities with Covenants. These amendments are effective for annual reporting periods beginning on or after January 1, 2024 retrospectively in accordance with IAS 8. The amendments clarify that an entity classifies liabilities as current if it does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. UI is in the process of reviewing the amendments but does not anticipate any changes to the presentation of the Statement of Financial Position at this time.

There are no other IFRS or IFRIC interpretations that are not yet effective that are expected to have a material impact on the Company's Financial Statements.

4. Critical accounting estimates and judgements

The preparation of these Financial Statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The 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 review affects both current and future periods. These Financial Statements do not include any accounts that require significant estimates as the basis for determining the stated amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements include the assessment of the Company's ability to continue as a going concern, estimates applied to convertible debt securities, capital lease obligations, share based payments, and the valuation allowance for deferred income tax assets and liabilities.

Share based payments

UI measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. Estimates of fair value also requires determining the most appropriate inputs to the valuation model and related assumptions, including the expected life of the stock Option, volatility and dividend yield, as described further in Note 16.

Going concern

The Company's ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.

Useful lives of equipment and intangible assets

Equipment and intangible assets are amortized or depreciated over their useful lives, which are based on management's estimate of the period that the assets will generate revenue, and periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts expensed as depreciation and amortization in the related financial reporting periods.

Impairment

Long-lived assets, including equipment, are reviewed for indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). Judgments and estimates are required in defining a CGU and determining the indicators of impairment and the estimates required to measure an impairment, if any.

5. Acquisition of the Kelburn Recovery Centre

The Company's acquisition of the Kelburn Recovery Centre in 2021 involved an agreement to acquire both an operating business (the "Kelburn Clinic") and the acquisition of land and building (the Kelburn Property"), both of which were completed on August 31, 2021. The acquisition of the Kelburn Clinic was considered a business combination under IFRS, while the acquisition of the Kelburn Property was considered an asset acquisition, with related transaction costs incurred included as part of the costs of the assets acquired. The following reflects the acquisition of the Kelburn Property and the purchase price allocation related to the acquisition of the Kelburn Clinic:

	Kelburn Clinic	Kelburn Property	total
Consideration paid by UI:			
Cash	1,026,214	1,637,814	2,664,028
UI share Units	500,000	1,862,186	2,362,186
Net liabilities assumed	(107,902)	-	(107,902)
Transaction costs capitalized	-	117,013	117,013
	1,418,312	3,617,013	5,035,325
Allocation to:			
Land	-	352,000	352,000
Buildings	-	3,265,013	3,265,013
Other capital assets	61,887	-	61,887
Goodwill	1,464,327	-	1,464,327
Current assets	76,715	-	76,715
Current liabilities	(124,617)	-	(124,617)
Long term liabilities	(60,000)	-	(60,000)
	1,418,312	3,617,013	5,035,325

The share Units issued were recorded at a fair value of $0.25 per share Unit, which was the price of the subscription receipt Units issued under the Offering. A fair value of $472,437 was attributed to the Warrants that were included in the share Units issued on the Kelburn acquisitions, and was allocated to contributed surplus.

The Company uses the acquisition method to account for business combinations, and measures goodwill as the fair value of the consideration transferred, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. If the excess is negative, a gain on acquisition would be recognized in net income.

Goodwill is allocated as of the date of the business combination to the Company's reporting segments that are expected to benefit from the business combination and represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, which can be no higher than the operating segment level. Goodwill is not amortized and is tested for impairment annually. Additionally, goodwill is reviewed at each reporting date to determine if events or changes in circumstances indicate that the asset might be impaired, in which case an impairment test is performed. Goodwill is measured at cost less accumulated impairment losses.

Goodwill was recognized on the acquisition of Kelburn Clinic, as the amount paid exceeded the fair value of the identifiable assets acquired.

As at July 31, 2022, the recoverable amount of goodwill allocated to the Kelburn Clinic's cash generating unit ("CGU") was estimated based on a value in use calculation which uses cash flow projections based on historical results and internal forecasts. For the purposes of completing the impairment analysis, assumptions were made relating to forecasted future revenues, expenses and cash flows for the CGU, based on management's best estimates of future revenues and expenses and a pre-tax discount rate of 15% per annum. After an initial 5-year period using a 5% annual growth rate, the cash flow projections thereafter were extrapolated based on an expected 2% minimum annual growth rate.

The results of the tests indicated a goodwill impairment as at July 31, 2022, for the total amount of goodwill which had been allocated to the CGU. The goodwill impairment resulted due to the allocation of a portion of the Company's corporate overhead costs as required by IAS 36. No reasonable changes in this assumption would result in difference in the impairment recorded.

As such, as at July 31, 2022, an impairment write-down of $1,464,327 was recorded for the full carrying value of the goodwill.

6. Amalgamation of UI with PSQ

A reverse acquisition occurs when the entity that issues securities (the legal acquirer, which in this case is PSQ) is identified as the acquiree for accounting purposes. The entity whose interests are acquired (the legal acquiree or UI) is the acquirer for accounting purposes in a reverse acquisition (a reverse take-over, or "RTO"). On closing of the QT, the shareholders of UI received a majority of the shares of the Resulting Issuer (see Note 1 a)) and as such, UI obtained control of the combined entity and was identified as the accounting acquirer.

The acquisition date fair value of the consideration transferred by the accounting acquirer, UI, for its interest in the accounting acquiree, PSQ, is based on the equity interests that UI would have had to issue to provide the owners of PSQ before the transaction, with the same percentage equity interest in the combined entity that results from the RTO.

At the date of closing of the QT, PSQ did not meet the definition of a business as such term is defined in IFRS 3 and the transaction is accounted for pursuant to IFRS 2, Share-based payments. As a result of the RTO of PSQ, the assets and liabilities of UI were recognized at their fair value, which approximated their carrying value.

The assets and liabilities of PSQ and Subco were recognized at fair value (which approximated their carrying value) at closing of the Amalgamation on August 31, 2021 as follows:

Fair value of PSQ and Subco assets	5,923,946
Fair value of PSQ and Subco liabilities	(286,669)
Net assets acquired on Amalgamation with CSRS	5,637,277
Fair value of replacement stock options issued to PSQ holders	160,453
	5,797,730

The fair value of the consideration paid by UI was $5,797,730, representing:

(i) the issuance of 12,085,850 RI common shares to the shareholders of PSQ at the date of the RTO based on the exchange of one RI share for each one PSQ share,

(ii) the issuance of 24,000,000 RI common shares and 24,000,000 RI Warrants to the shareholders of Subco at the date of the RTO based on the exchange of one RI share and Warrant for each one Subco share and Warrant, plus

(iii) the issuance of 1,150,000 stock options of the Resulting Issuer, issued to replace the existing PSQ stock options outstanding at the date of the RTO. Their estimated fair value of $160,453 is included in listing expenses recorded.

The fair value attributed to the Resulting Issuer common shares and Warrants issued to the shareholders of PSQ and Subco was recorded as follows:

Fair value attributed to 36,085,850 RI common shares issued	4,597,730
Fair value attributed to 24,000,000 RI Warrants issued	1,200,000
	5,797,730

The above assumes a fair value per share of $0.20 per RI share (based on the price of the Subco Units issued in the Offering, excluding an assumed fair value of $0.05 for the share purchase warrants which were included in the Units issued).

Penalty share warrants related to August 31, 2021 Liquidity Event:

In July 2018, CSRS closed a brokered private placement and issued a total of 14,855,000 share units for gross proceeds of $1,485,500. Each unit consisted of one common share plus one warrant (a “Liquidity Warrant”). Each Liquidity Warrant gave the holder the right to receive an additional 0.05 of one common share, at no cost, if by November 30, 2018, the company had not completed a go-public transaction or other “Liquidity Event”. Further, each Liquidity Warrant increased by an additional 0.05 of a common share for each subsequent 60-day period until the completion of a Liquidity Event.

On closing of the QT and Amalgamation on August 31, 2021, a total of 13,171,436 common shares were issued by CSRS (with no proceeds to the Company) related to this “penalty shares” obligation.

The issuance of these common shares on August 31, 2021 had a fair value of $2,634,287 which is based on the $0.20 per common share of the RI shares issued on closing of the Offering. This amount is included in the total listing expenses which were recorded as follows:

Fair value attributed on August 31, 2021 to:	
Penalty shares issued by CSRS	2,634,287
PSQ replacement options	160,453
Costs related to the acquisition of Kelburn Clinic and other	52,959
Total listing expenses	2,847,699

7. Capital assets

	Vehicles & equipment	Buildings & leaseholds	Land	Total
Cost base				
Balance, July 31, 2021	163,809	-	3,002,611	3,166,420
Kelburn acquisitions	39,117	3,287,783	352,000	3,678,900
Additions in the year	50,448	44,752	-	95,200
Dispositions	(25,000)	-	-	(25,000)
Balance, July 31, 2022	228,374	3,332,535	3,354,611	6,915,520
Reclass to land held for resale	-	-	(3,002,612)	(3,002,612)
Additions in the year	109,961	303,799	-	413,760
Disposals and write-offs	(26,180)	(134,466)	-	(160,646)
Balance, July 31, 2023	312,155	3,501,868	351,999	4,166,022
Accumulated depreciation and impairment				
Balance, July 31, 2021	119,117	-	-	119,117
Dispositions	(13,623)	-	-	(13,623)
Impairment write-down	-	-	1,242,612	1,242,612
Depreciation	58,593	207,805	-	266,398
Balance, July 31, 2022	164,087	207,805	1,242,612	1,614,504
Disposals and write-offs	(26,179)	(134,466)	-	(160,645)
Impairment write-down	-	-	210,000	210,000
Reclass to land held for resale	-	-	(1,452,612)	(1,452,612)
Depreciation	38,598	257,448	-	296,046
Balance, July 31, 2023	176,506	330,787	-	507,293
Net book value				
Balance, July 31, 2021	44,692	-	3,002,611	3,047,303
Balance, July 31, 2022	64,287	3,124,730	2,111,999	5,301,016
Balance, July 31, 2023	135,649	3,171,081	351,999	3,658,729

Right-of-use assets

Included in the total for vehicles and equipment are two right-of-use lease assets and which have a net book value at July 31, 2023 of $49,576 (2022 - $nil). Total additions for right-of-use lease assets during the year was $53,723 (2022 - $nil).

Land held for resale - Belize property

In 2020, CSRS' subsidiary company, Universal Ibogaine Belize Ltd. ("UI Belize"), acquired four blocks of undeveloped land (totaling 20 acres) on an island in Belize (the "Belize Property"). Consideration payable consisted of the issuance of 25,000,000 CSRS common shares, at an agreed value of USD 1,250,000 (Cdn $1,667,000). Subsequently, for purposes of the TSXV approval of the 2021 QT, an independent valuation was obtained in May 2021 for the Belize Property, which had an estimated fair value of USD 2,425,000 (approximately Cdn $3,002,611), at which the Belize land and the related common shares issued were recorded in the year ended July 31, 2021.

During the year ended July 31, 2022, the Company revised its strategy from considering development of the Belize Property, to deciding to attempt to sell it as a potential source of financing. Based on the level of interest in the property, and a resultant reduction of its listing price in November 2022, the Company recorded an impairment write-down of $1,242,612 as at July 31, 2022.

Based on an offer to purchase the property (which did not close), an additional write-down of $210,000 (to a net carrying value of $1,550,000) was recorded in January, 2023. The Company reduced the listing price for the property in fall 2023, and recorded an additional impairment write-down of $150,000 as at the July 31, 2023 year end.

A continuity of the carrying value of the Belize property is as follows:

Carrying value, July 31, 2021	3,002,612
Impairment write-down	(1,242,612)
Carrying value, July 31, 2022	1,760,000
Impairment write-down	(210,000)
Amount transferred from capital assets to land held for resale	1,550,000
Additional impairment write-down	(150,000)
Carrying value, July 31, 2023	1,400,000

The Company used Level 3 inputs to determine the value of the Belize Property, and reviewed the 2021 property appraisal, the real estate agent's opinion, other comparable listings and sales of similar properties in recent years. The Company's selected value relates to properties that are comparable to the condition and location of UI's property, and the primary unit of measure was a value per acre, a range for which resulted in a current estimate used of approximately USD 52,500 per acre (July 31, 2022 – USD 69,000).

The carrying value recorded represents management's best estimate as to what may be realized by the Company after expected closing costs. There can be no guarantee that the property will sell and be converted into cash in the next 12 months, and as such the Company has continued to classify the asset as long-term as at July 31, 2023.

8. Trade payables and accrued liabilities

As at July 31	2023	2022
Trade payables	296,932	171,791
Accrued liabilities	320,516	282,703
Wages and payroll deductions payable	71,279	16,599
GST payable, net	12,614	-
Customer deposits received	165,900	165,900
	867,241	636,993

The above totals include $168,189 (July 31, 2022 - $78,984) for payroll payable, accrued consulting and Directors fees, and expense re-imbursements owing to related parties (UI Directors and Officers).

9. Promissory notes payable

In May 2021, UI issued short-term promissory notes payable totaling $350,000 (the “Promissory Notes”) in connection with deposits which were used for the acquisition of the Kelburn Clinic. The Promissory Notes bore interest at 10%, were due August 31, 2021, and could be converted at the option of the Lenders at any time on or before the due date into shares of the “Resulting Issuer” which arose following the Amalgamation at a price of $0.25 per common share.

Effective October 1, 2021, the maturity date of the Promissory Notes was extended to February 28, 2022. There was no gain or loss recorded on the modification of these terms of the Promissory Notes.

A total of $250,000 of the Promissory Notes were repaid in February and March, 2022 and the maturity date of the remaining $100,000 was extended by 3 months and then repaid on May 31, 2022.

10. CEBA Loan payable

Prior to the Amalgamation on August 31, 2021, CSRS and each of PSQ and 6887016 Manitoba Ltd. had received $60,000 loans (for a total of $180,000) under the Canada Emergency Business Account loan (the “CEBA Loan”) program under the Canadian Federal government’s Covid-19 support programs. Up to $60,000 of the CEBA Loan could be forgiven if a total of up to $120,000 is repaid by January 18, 2024 (extended from the original date of December 31, 2023).

If the loan is not repaid by January 18, 2024, it will covert to a term loan with interest of 5% per annum and the full principal amount will be due on December 31, 2026. As the Company does not intend to repay the principal amount within the next twelve months, the loan has been classified as long-term.

11. Mortgage payable

In connection with the purchase of the Kelburn Recovery Centre, in September 2021 CSRS received from a Manitoba based credit union (the “Lender”) a mortgage of $1,630,000 which is secured by the land and building used by the Kelburn Recovery Centre. This initial mortgage has a term of 15 years, a monthly payment of $11,319 and interest at 3.1% for the first 5 years.

In April 2023, the Company received an additional mortgage of $300,000 from the Lender, with interest at 6.84% for the first year, an amortization period of 15 years, and a payment of $2,654 per month.

Principal payments on the combined mortgage payable (total repayment of $13,973 per month, including interest), are repayable as follows:

Total scheduled principal payments due in the fiscal year ended July 31:	
2024	102,663
2025	106,518
2026	110,349
2027	114,336
2028	118,350
	552,216
Thereafter	1,244,633
Total	1,796,849

The mortgage includes standard financial covenants, including a restriction on the payment of dividends, share redemptions, and issuing additional secured debt without the lender's consent. The Company is required to maintain an annual debt service coverage ratio (defined as cash flow divided by principal and interest payments on all debt for one of its subsidiary companies) at a minimum of 1.20 times.

The Company was not in compliance with the debt service coverage covenant as at July 31, 2022. The lender did not request repayment of the mortgage, and a waiver of the non-compliance with the covenant and an amendment to the definition of the covenant was requested and later obtained by the Company in 2023.

The Company was also not in compliance with the debt service coverage covenant as at July 31, 2023. A waiver of the non-compliance with the covenant has been requested by the Company.

Due to the existence of the non-compliance events, the entire mortgage balance was required to be classified as a current liability as at each of the years ended July 31, 2023 and 2022.

12. Convertible debt securities

In the year ended July 31, 2023, the Company undertook a private placement offering (the "Financing") of convertible debt securities (the "Convertible Debt") which had the following terms:

- the Convertible Debt has a term to maturity of 3 years from Closing, with 8% interest payable quarterly;
- on a future conversion, the subscriber will receive one "Unit" comprised of one UI common share and a one-half common share purchase Warrant. The conversion price per share will increase each year as noted below;
- each whole Warrant received on a conversion will have an expiry of 2 years from the date of conversion, with an escalating annual exercise price as noted below;

- a General Security Agreement is to be issued by UI's BC based 100% owned subsidiary company CSRS (which in turn owns the Kelburn Property in Winnipeg, and the Belize land property).

The Financing had a "2022 Offering" and a "2023 Offering", which had slightly different terms for the conversion price and the related Warrants, as follows:

Post closing of the Offerings	year 1	year 2	year 3
Conversion price per common share:			
2022 Offering	$ 0.10	$ 0.15	$ 0.20
2023 Offering	$ 0.05	$ 0.10	$ 0.15
Exercise price of each whole Warrant issued on conversion:			
2022 Offering	$ 0.20	$ 0.40	$ 0.50
2023 Offering	$ 0.08	$ 0.13	$ 0.18

Convertible debt securities of $626,500 and $180,000 were issued under the 2022 Offering and 2023 Offerings, respectively, which has resulted in proceeds to the Company of $806,500.

The Company intends to apply to the TSXV to allow the conversion price and Warrant exercise terms of the 2022 Offering to be revised to match the terms of the 2023 Offering.

As the Convertible Debt grants the holder a conversion feature, it is initially recorded at a discounted amount (based on an estimated risk-free rate of 11.25%), with an offsetting increase to contributed surplus. A continuity of the carrying value of the Convertible Debt, which will be increased over time to its maturity by a non-cash amount which is recorded as accretion expense, is as follows:

Convertible Debt issued in the year ended July 31, 2023	806,500
Discount recorded as increase in contributed surplus	(65,963)
Accretion expense	17,190
Balance, July 31, 2023	757,727

13. Lease obligations

The Company has outstanding lease obligations owing on equipment and a vehicle as follows:

Balance, July 31, 2022	-
Lease additions	53,723
Lease payments	(11,048)
Balance, July 31, 2023	42,675
Current portion	18,310

Principal repayments (total current payment of $1,713 per month, including interest), are due as follows:

Total scheduled principal payments due in the fiscal year ended July 31:	
2024	18,310
2025	12,636
2026	11,729
Total	42,675

14. Share capital

Authorized and issued shares

The Company is authorized to issue an unlimited number of common shares with no par value, and an unlimited number of preference shares, issuable in series. Additional common shares are reserved for potential issuance as described in Note 15.

The number of common shares outstanding is as follows:

	$ value	# of shares
Total outstanding at July 31, 2022	22,801,254	190,743,599
Shares issued in the year:		
Private placement (i)	10,000	400,000
Release of Performance Shares (Note 15 e)	9,000	225,000
Shares issued for services (Note 19)	17,500	350,000
Total outstanding at July 31, 2023	22,837,754	191,718,599

(i) A total of 400,000 common shares were issued in January, 2023 at a price of $0.025 per common share for proceeds to the Company of $10,000.

Private placement of common shares in the year ended July 31, 2022

In August, 2021, UI issued common share "Units" (issued at $0.25 per Unit) pursuant to a private placement financing and in settlement of certain amounts payable for the value of services received, as follows:

	# of common Shares issued	value per Unit	$ value
Issued pursuant to private placement	190,000	$ 0.25	47,500
Issued in exchange for services received	104,000	$ 0.25	26,000
	294,000	294,000	73,500

Each Unit issued consisted of one common share, and one warrant to purchase an additional common share (each a "Unit Warrant" - see Note 15 d)).

Common shares subject to escrow releases

A portion of the common shares issued are subject to TSXV imposed time based escrow conditions (which does not include the common shares issued under the ClearSky Agreement which are subject to separate performance based escrow conditions – see Note 18) and will become released from escrow over time as follows:

October 1, 2023	3,867,715
April 1, 2024	3,867,715
October 2024	10,313,906
Total subject to TSXV escrow conditions at July 31, 2023	18,049,336

15. Common shares reserved for issuance

In October 2022, the Company's shareholders approved an amendment to the then existing Stock Option Plan (the "2021 SOP"), which provided that the former 2021 SOP (which had a 20% fixed cap) would be replaced with a new Equity Incentive Compensation Plan (the "EICP") and the new 2022 Stock Option Plan (the "SOP"). The EICP has a 10% fixed cap (based on an initial total of 190,743,590 shares outstanding), and the SOP has a 10% floating cap.

The EICP allows the Company additional flexibility to include Deferred Share Units ("DSUs") and Restricted Share Units ("DSUs"), in addition to stock options, in its ongoing compensation plans which are used to attract and retain Directors, Officers, employees, advisors and consultants.

a). Stock Options

UI may periodically issue stock options ("Options") to purchase common shares to Directors, Officers, employees and consultants to the Company. Prior to the Amalgamation, UI had granted a total of 6,650,000 Options to members of its' Board of Directors and its' CEO. A total of 400,000 of these Options granted remain outstanding at July 31, 2023, and have an exercise price of $0.25 per share, a term of 5 years to expiry, and vesting over a 3 year period.

In addition, PSQ had a total of 1,150,000 stock options (with a revised expiry date October 1, 2022, and 950,000 having an exercise price of $0.10 per share and 200,000 having an exercise price of $0.20 per share) which, similar to the UI Options, were replaced by stock options of the Resulting Issuer on closing of the Amalgamation on August 31, 2021. These 1,150,000 stock options expired on October 5, 2022.

The total number of Options outstanding is as follows:

	average exercise price	# of Options
Total outstanding at July 31, 2021	$ 0.23	6,300,000
Activity in the year ended July 31, 2022:		
Options forfeited in the year	$ 0.25	(3,450,000)
Options issued on November 26, 2021 (i)	$ 0.25	8,850,000
Options issued in February and March 2022 (ii)	$ 0.25	565,000
Options issued in June, 2022 (iii)	$ 0.10	450,000
Total outstanding at July 31, 2022	$ 0.23	12,715,000
Activity in the year ended July 31, 2023:		
Options forfeited in the year	$ 0.25	(3,690,000)
Options expired in October, 2022	$ 0.12	(1,150,000)
Total outstanding at July 31, 2023	$ 0.24	7,875,000
Options exercisable at July 31, 2023	$0.23	4,291,666

Expiry date	# years to expiry	exercise price	# of Options
June, 2025	1.9	$ 0.10	450,000
May, 2026	2.8	$ 0.25	400,000
February, 2027	3.5	$ 0.25	25,000
November, 2026	3.3	$ 0.25	4,000,000
November ,2031	8.3	$ 0.25	3,000,000
			7,875,000

(i) On November 26, 2021, UI granted a total of 8,850,000 Options to Officers, Directors and consultants (including a total of 5,400,000 granted to Directors of the Company). These Options have an exercise price of $0.25 per share, a term to expiry of 5 and 10 years, and vesting over periods of 2 to 3 years.

(ii) In February and March 2022, UI issued a total of 565,000 Options to employees and consultants, with an exercise price of $0.25 per share, a term to expiry of 5 to 10 years, and vesting over periods of 2 to 3 years.

(iii) In June 2022, UI issued 450,000 Options to an investor relations consultant, with an exercise price of $0.10 per share, a term to expiry of 3 years, and vesting over a period of 12 months.

Share based compensation expense related to Options for the year ended July 31, 2023 (see Note 16) was $96,702 (2022 - $341,841).

b). Broker options and warrants

Prior to the Amalgamation, the Company issued various broker options and warrants to purchase common shares pursuant to prior brokered private placements of common shares as follows:

	Expiry Date	Number of shares reserved	Weighted average exercise price
Balance, July 31, 2021	August 31, 2023	3,773,000	0.10
Issued pursuant to the Offering	August 31, 2023	6,400	0.25
Exercised in December, 2021		(176,000)	0.10
Balance, July 31, 2022 and 2023		3,603,400	0.10

Subsequent to the year- ended July 31, 2023, all 3,603,400 of these broker options and warrants expired on August 31, 2023.

c). Advisor Warrants

Prior to the Amalgamation, UI entered into agreements whereby it would issue a total of 10,000,000 Warrants (the "Advisor Warrants") to three separate firms which have been engaged to act as strategic and financial advisors to UI. The Advisor Warrants are exercisable to December 31, 2024 at a price of $0.25 per common share. Their issuance was subject to the advisors meeting certain performance based vesting criteria, as well as approval by the TSXV, which occurred as part of the QT approval in August, 2021.

In July and August 2021, one of the advisory agreements was terminated by UI, and one was amended, resulting in a reduction of the number of Advisory Warrants issued to one of the parties, which decreased from 2,000,000 to a total of 1,000,000. Share based compensation expense related to the Advisor Warrants was recorded in full in the year ended July 31, 2022, the period in which the vesting and TSXV approval provisions had been met.

Subsequently, a reversal of $179,499 of prior share based payments expense was recorded in the year ended July 31, 2022 based upon the finalization of a settlement agreement, and the related reduction from 4,000,000 to 1,500,000 in the number of Advisor Warrants issued to one of the three parties.

A continuity of the Advisory Warrants outstanding is as follows:

Issued in year ended July 31, 2021	10,000,000
Cancelled in year ended July 31, 2022	(3,500,000)
Total reserved as at July 31, 2022 and 2023	6,500,000

d). Common share purchase warrants

Prior to the Amalgamation on August 31, 2021, UI had issued common share "Units" which included warrants to purchase additional UI common shares (each a "Unit Warrant"). These Unit Warrants expire on August 31, 2026 (a term of 5 years from closing of the Amalgamation), and have an escalating annual exercise price, rising by $0.25 per year, from $0.50 if exercised in year 1, to $1.50 if exercised in year 5.

Common shares are reserved for issuance on potential future exercise of warrants which have been issued to July 31, 2023 as follows:

	Exercise price	# warrants
Unit Warrants issued:		
By UI prior to the Amalgamation (see Note 6)		
To July 31, 2021	escalating	17,597,734
Issued in August 2021 (see Note 14)	escalating	294,000
Total outstanding at the Amalgamation on August 31, 2021		17,891,734
By UI on closing of the Kelburn acquisitions (Note 5)	escalating	9,448,745
By Subco on closing of the Offering (see Note 1 a))	escalating	24,000,000
Total as at July 31, 2022 and 2023		51,340,479

e). Issue of performance based common shares ("Performance Shares")

In 2021, the Company issued Performance Shares to various individuals, for which entitlement will vest (in the form of common shares issued) upon the achievement of future performance milestones, including the Company undertaking clinical trials for the use of ibogaine, and a portion tied to the future opening of clinics for the treatment of opioid use disorder.

In March, 2021, UI granted (subject to TSXV approval, which occurred on closing of the Amalgamation on August 31, 2021) a total of 2,000,000 Performance Shares to an executive of the Company. Entitlement to receive these shares, as well as an additional 3,000,000 stock options, was to vest on the occurrence of future event milestones. These 2,000,000 Performance Shares were cancelled in January 2022 following the departure of the executive.

On closing of the QT on August 31, 2021, a total of 225,000 of the Performance Shares were released to two persons who were members of the UI Board, and an additional 250,000 Performance Shares were released to a consulting advisor to UI following closing of the August 30, 2021 acquisition of the Kelburn Clinic.

A continuity of the Performance Shares reserved and issued to date is as follows:

Total reserved at July 31, 2021	3,750,000
Total released on closing of the Amalgamation	(475,000)
Forfeited in January 2022	(2,000,000)
Total reserved at July 31, 2022	1,275,000
Forfeited in May, 2023	(525,000)
Total released in year end July 31, 2023	(225,000)
Total reserved at July 31, 2023	525,000

Share based compensation expense related to the Performance Shares is recorded in the periods in which it becomes reasonably certain that the performance criteria will be met, and for the year ended July 31, 2022, included $95,000 for the release of 475,000 Performance Shares (which were recorded at a fair value of $0.20 per share) and for the year ended July 31, 2023 included $9,000 related to the vesting of 225,000 Performance Shares (recorded at a fair value of $0.04 per share).

One of the members of the UI Board resigned in May 2023, resulting in the forfeiture of 525,000 Performance Shares reserved, and subsequent to the year ended July 31, 2023, the other member of the UI

Board resigned in October 2023 (at which point an additional 75,000 Performance Shares had become vested), resulting in the forfeiture of the remaining 450,000 Performance Shares reserved.

16. Share based compensation expense ("SBCE")

SBCE includes amounts recorded related to:

Year ended July 31	2023	2022
Stock options (Note 15 a)	96,702	341,841
Advisor warrants (Note 15 c)	-	466,696
Performance shares (Note 15 e)	9,000	95,000
	105,702	903,537

SBCE is calculated based on the fair value attributed to grants of Options and Advisor Warrants using the Black-Scholes option valuation model, and utilized the following weighted average assumptions for grants which occurred in the year ended July 31, 2022 (2023 – n/a):

	Options	Advisor Warrants
Expected dividends paid per common share	Nil	Nil
Expected life in years	5.9	3.33
Expected volatility in the price of common shares	59.9 %	60.0 %
Risk free interest rate	1.33%	0.75 %
Weighted average fair market value per share at grant date	$ 0.061	$ 0.071

17. Supplemental disclosures with respect to cash flows

The change in non-cash working capital balances is comprised of the following:

Year ended July 31	2023	2022	2022	2022
	total	Kelburn acquisition & the Amalgamation	Operations	total
GST and other receivables	155,058	(120,065)	2,558	(117,507)
Prepaids and deposits	5,294	622,166	(35,864)	586,302
Trade payables and accrued liabilities	230,249	473,522	(474,398)	(876)
Deferred revenue	105,997	-	-	-
	496,598	975,623	(507,704)	467,919

Investing and financing transactions which do not have a direct impact on cash flows and which are excluded from the statement of cash flows include the following:

Year ended July 31	2023	2022
Non-cash transactions:		
Additions to capital assets financed under lease obligations	53,723	-
Common shares and share Units issued for:		
Acquisition of Kelburn Recovery Centre	-	2,362,186
Common shares issued for value of services received	17,500	-
Additional information:		
Interest & financing charges paid	95,983	70,244
Income tax payments	-	-

Cash and cash equivalents consists of:		
Cash	313,263	289,579
T-Bill savings account	-	436,468
	313,263	726,047

18. Agreement with Clear Sky Recovery Cancun SA de CV

In 2019, UI entered into a License Agreement (the “ClearSky Agreement”) with Clear Sky Recovery Cancun SA de CV (“ClearSky Cancun”). ClearSky Cancun has developed a proprietary addiction treatment protocol which utilizes a natural substance, ibogaine, to detoxify and aid in withdrawal and recovery from addiction to a variety of drugs (the “ClearSky Protocol”).

The ClearSky Agreement enabled UI to acquire the exclusive global rights to use the ClearSky Protocol, subject to ClearSky Cancun’s right to continue to utilize it at its clinic in Cancun, Mexico. Pursuant to the terms of the ClearSky Agreement, as disclosed in the Company’s financial statements for the year ended July 31, 2021, common shares were issued by UI as follows:

- effective October 23, 2020, UI elected to convert an amount payable to the principals of ClearSky Cancun of USD 300,000, and issued a total of 4,000,000 common shares in settlement, at a price of $0.10 per share; and

- the final consideration payable by UI consisted of 30,000,000 UI common shares which were issued on January 31, 2021 and recorded at the original agreed value of $2,324,835. The ultimate release from escrow of 27,000,000 of these shares will be subject to various performance milestones related to future clinical trials and primarily the opening of UI addiction clinics which are able to utilize the ClearSky Protocol.

19. Legal claims

The Company may periodically become involved in defending against claims related to prior employees, consultants and advisors, and client patients. In November 2020, a claim was filed against UI in the Supreme Court of British Columbia (the "Claim"). The Claim alleges damages in the amount of $1,500,000 for negligent misrepresentation, $120,000 for breach of contract (or in the alternative $120,000 for value of services provided), for a total of $1,620,000 plus interest and costs in the action. The Claim includes allegations that the Plaintiff served as a director of UI and also provided consulting services. UI is actively defending this Claim and in January 2021 filed a response to the Claim (the "Response") denying that Plaintiff is entitled to any damages for breach of contract and denying any claims of misrepresentation. The Company believes that the Claim is entirely without merit and is actively defending it, including filing a Notice of Application to strike the claim on August 16, 2021. The Claim was not dismissed, but the Plaintiff was required to file an amended Claim to remove the allegation that it had suffered general damages of $1,500,000 which is not permitted under B.C. law. The Company and the Plaintiff were examined for discovery ("Discovery") in June 2022, following which the Company responded by providing further information to the undertakings made on Discovery. The action is set for trial in May 2024. Although the Company is confident of the merit of its defence, the outcome of the Claim, and if the Claim is successful, the amount of damages that might be awarded is not presently determinable, and no provision has been recorded.

In August 2021, a former consultant to UI filed claim for damages related to termination of his services to the Company totalling $103,635. In November 2022, the Company reached an agreement to settle this claim, which included a cash payment and the issuance of a total of 350,000 common shares (recorded at a value of $17,500).

20. Related party transactions

Key management compensation

Key management personnel consists of the Company's officers and members of the UI Board of Directors who are responsible for planning, directing, and controlling the activities of UI. The Company has recorded expenses incurred with its officers and Directors at the exchange amounts as agreed upon by the transacting parties as follows:

Year ended July 31	2023	2022
General & administrative expenses:		
Consulting, management and Board of Directors fees	301,042	449,460
Salaries and wages	375,000	587,180
	676,042	1,036,640

Key management personnel were not paid any post-employment benefits, termination benefits or any other long-term benefits in the above noted periods.

21. Income taxes

A reconciliation of the Company's expected income recovery at statutory rates with the actual amount reported is as follows:

Year ended July 31	2023	2022
Loss before income taxes	2,390,411	10,496,202
Tax recovery based on statutory rate of 27%	(645,000)	(2,834,000)
Permanent differences	214,000	1,809,000
Share issue costs and CCA claimed for tax purposes	(127,000)	(97,000)
Change in unrecognized deferred income tax assets	558,000	1,122,000
Income tax recovery	-	-

As at July 31, 2023, the Company has the following balances available for deduction from taxable income for Canadian income tax purposes that may be derived in future years:

- estimated non-capital losses of approximately $15,825,000 (2022 - $13,416,000). These losses will expire, if not otherwise utilized, in the fiscal years 2038 to 2043.
- Undepreciated capital cost allowance balances of approximately $6,644,000 (2022 - $6,465,000).
- Deductible share issue costs of approximately $259,000 (2022 – $411,000).

The Company's undeductible temporary differences are as follows:

As at July 31	2023	2022
Non-capital losses	15,825,000	13,416,000
Share issuance costs	259,000	411,000
Intangible assets	2,888,000	3,026,000
Property and equipment	450,000	289,000
Convertible debt securities	49,000	-

22. Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue its operations and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. UI considers its capital for this purpose to be its mortgage payable, CEBA loan payable, convertible debt securities, lease obligations, and shareholders' equity.

UI's primary source of capital is through the issuance of equity, as well as a limited use of convertible loans. The Company manages and adjusts its capital structure when required by changes in economic conditions which may result in the need to seek additional funding. UI may require additional capital resources to meet its administrative overhead expenses in the long term and believes it will be able to raise capital as required, but recognizes there may be risks involved that are beyond its control. Other than on the Company's mortgage payable, there are no external restrictions, such as covenants, imposed on UI in the management of capital.

23. Financial instruments and risk management

The Company is exposed to varying degrees to a variety of risks related to financial instruments:

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates.

As at July 31, 2023, UI held a total of $141 (July 31, 2022 - $7,929) in USD cash (stated in Cdn$ at period end exchange rates). A 10% increase in the US dollar would have resulted in an additional exchange gain of $14 as at July 31, 2022 (as at July 31, 2022 – a gain of $792).

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. UI's cash and short-term investments and other receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing its cash instruments with different financial institutions and each of high credit worthiness.

GST and other receivables includes:

As at July 31	2023	2022
Patient treatment billings receivable	64,203	-
GST receivable	-	47,896
Insurance claims receivable	3,829	124,262
Legal claims and other	7,914	58,846
	75,946	231,004

Liquidity risk

UI's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at July 31, 2023, UI had a cash and short-term investments balance of $313,263 (2022 - $726,047) and total current liabilities (excluding deferred revenue of $105,997 (2022 - $nil) of $2,788,397 (2022 - $2,194,666), all of which are current and a portion of which are due on demand.

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. Other than the $1,796,849 mortgage payable (see Note 11), which has a fixed interest rate of a) 3.08% on $1,500,841 of the balance until April, 2024 and b) a fixed interest rate of 6.84% on $296,007 of the balance until April 2028, and the convertible debt securities of $806,500 (see Note 12) which bears interest at 8%, none of UI's financial instruments bear interest as at July 31, 2023, and therefore, management believes that the Company is not exposed to any significant risk from fluctuating interest rates at July 31, 2023.

24. Other subsequent events

In addition to the other transactions previously noted which occurred subsequent to the July 31, 2023 year-end, the Company is in process of undertaking a private placement offering (the "Financing") which may involve the issuance of up to 10 million of common shares at a price of $0.01 per share. To January 25, 2024, the Company has closed an initial tranche of this Financing for proceeds of $417,192 and (subject to TSXV approval) will issue a total of 41,719,250 common shares.

In September, 2023, UI agreed to issue (subject to Board of Directors and TSXV approval) to a consultant to the Company:

- a total of up to 6,000,000 RSUs (exchangeable for up to 6,000,000 commons shares), for which vesting entitlement will be based on future performance criteria; and

- a total of 5,000,000 Options, with an exercise price of $0.06 per share and a term of 3 years to expiry. Vesting of these Options is to occur upon the Company completing a subsequent financing for a minimum of $500,000.