



(formerly North Sur Resources Inc.)

Condensed Interim Consolidated Financial Statements

Three months ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

MINDSET PHARMA INC.**(formerly North Sur Resources Inc.)**

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	As at September 30, 2021 (Unaudited)		As at June 30, 2021 (Audited)	
Assets				
Current assets				
Cash and cash equivalents	\$	5,104,633	\$	6,580,376
Receivable and other assets (note 5)		2,613,047		3,303,725
		7,717,680		9,884,101
Right-of-use asset (note 6)		189,248		200,381
Total assets	\$	7,906,928	\$	10,084,482
Liabilities				
Current liabilities				
Trade and other payables (notes 7 & 12)	\$	937,700	\$	386,756
Current portion of lease liability (note 8)		36,025		34,858
Convertible debenture (note 9)		484,622		471,369
		1,458,347		892,983
Lease liability (note 8)		162,388		171,794
Total liabilities	\$	1,620,735	\$	1,064,777
Shareholders' Equity				
Share capital (note 10)		14,438,498		13,188,409
Contributed surplus (note 11)		11,846,477		7,966,539
Accumulated deficit		(19,998,782)		(12,135,243)
Total shareholders' equity		6,286,193		9,019,705
Total liabilities and shareholders' equity	\$	7,906,928	\$	10,084,482

Nature of Operations (note 1)

Commitments (note 15)

Subsequent Events (note 16)

Approved on behalf of the board of directors:Director "Richard Patricio" (signed)Director "Joseph Araujo" (signed)

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

MINDSET PHARMA INC.**(formerly North Sur Resources Inc.)**

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three months ended September 30,	
	2021	2020
Expenses:		
Consulting fees (note 12)	\$ 920,783	\$ 150,695
Research and development (note 12)	1,393,537	-
Professional fees	67,337	45,023
General and administration	63,777	5,082
Share-based compensation (note 11)	4,250,054	9,822
Investor relations	1,196,324	-
Reverse takeover transaction cost (note 4)	-	3,143,769
	(7,891,812)	(3,354,391)
Change in fair value of convertible debenture (note 9)	(13,253)	-
Net loss and comprehensive loss for the period	\$ (7,905,065)	\$ (3,354,391)
Basic and diluted loss per share (note 10(c))	\$ (0.09)	\$ (0.12)
Weighted average number of shares outstanding – Basic and diluted (note 10(c))	86,047,172	27,399,865

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

MINDSET PHARMA INC.

(formerly North Sur Resources Inc.)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

For the three months ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

	Share Capital		Contributed surplus		Accumulated Deficit		Total Shareholders' Equity
	Shares	Amount					
Balance, June 30, 2020	21,096,700	\$ 760,585	\$ 190,409	\$ (481,882)	\$		469,112
Shares issued pursuant to reverse takeover transaction (notes 4,10(b)) & 11)	19,476,466	2,921,470	1,230,704	-			4,152,174
Shares exchange impacts related to reverse takeover transaction (note 10(b))	11,044,123	-	-	-			-
Share-based compensation (note 11)	-	-	9,822	-			9,822
Net loss for the period	-	-	-	(3,354,391)			(3,354,391)
Balance, September 30, 2020	51,617,289	\$ 3,682,055	\$ 1,430,935	\$ (3,836,273)	\$		1,276,717
Prospectus offering (note 10(b))	11,403,598	8,552,699	-	-			8,552,699
Private placements (note 10(b))	12,575,000	5,030,000	-	-			5,030,000
Share issuance cost – cash (note 10(b))	-	(764,187)	(524,562)	-			(1,288,749)
FMV of warrants issued (notes 10(b) and 11)	-	(5,410,200)	5,410,200	-			-
FMV of broker warrants issued (notes 10(b) and 11)	-	(327,762)	327,762	-			-
FMV of compensation option granted (notes 10(b) and 11)	-	(2,880)	2,880	-			-
Stock-option exercised (notes 10(b) and 11)	2,023,500	103,423	(37,012)	-			66,411
Warrant exercised (notes 10(b) and 11)	6,200,000	1,565,863	(635,863)	-			930,000
Shares issued for consulting (note 10(b))	600,000	672,000	-	-			672,000
Shares issued for settlement of debt (note 10(b))	176,562	87,398	-	-			87,398
Share-based compensation (note 11)	-	-	1,992,199	-			1,992,199
Net loss for the period	-	-	-	(8,298,970)			(8,298,970)
Balance, June 30, 2021	84,595,949	\$ 13,188,409	\$ 7,966,539	\$ (12,135,243)	\$		9,019,705
Shares issued for consulting (note 10(b))	200,000	224,000	-	-			224,000
Warrant exercised (notes 10(b) and 11)	3,037,500	1,026,089	(328,590)	-			697,499
Share-based compensation (note 11)	-	-	4,250,054	-			4,105,536
Expired stock-option (note 11)	-	-	(41,526)	41,526			-
Net loss for the period	-	-	-	(7,905,065)			(7,905,065)
Balance, September 30, 2021	87,833,449	\$ 14,438,498	\$ 11,846,477	\$ (19,998,782)	\$		6,286,193

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

MINDSET PHARMA INC.**(formerly North Sur Resources Inc.)**

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

	Three months ended September 30,	
	2021	2020
Operating activities		
Net loss for the period	\$ (7,905,065)	\$ (3,354,391)
Adjust for: operating items not involving cash		
Change in fair value of convertible debenture (note 9)	13,253	-
Accretion of lease liability (note 8)	6,761	-
Depreciation of right-of-use asset (note 6)	11,133	-
Share-based compensation (note 11)	4,250,054	9,822
Reverse takeover transaction cost (note 4)	-	3,143,769
Change in non-cash working capital:		
Receivable and other assets	914,678	(18,878)
Trade and other payables	550,944	7,586
	(2,158,242)	(212,092)
Investing activities		
Cash acquired from reverse takeover transaction (note 4)	-	1,038,120
	-	1,038,120
Financing activities		
Proceeds from warrants exercised (notes 10(b) and 11)	697,499	-
Payments made to lease liability (note 8)	(15,000)	-
	682,499	-
Increase (decrease) in cash and cash equivalents	(1,475,743)	826,028
Cash and cash equivalents at beginning of period	6,580,376	540,741
Cash and cash equivalents at end of period	\$ 5,104,633	\$ 1,366,769

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW
INFORMATION:****Non-cash operating activities**

Common shares issued for services (note 10(b))	224,000	-
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MINDSET PHARMA INC.

(formerly North Sur Resources Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)

1. NATURE OF OPERATIONS

Mindset Pharma Limited (formerly Mindset Pharma Inc.) (the "Original Mindset") was incorporated under the laws of the province of Ontario, Canada on October 7, 2019. Upon completion of the transaction contemplated by the Share Exchange Agreement (as hereinafter defined), the business of Original Mindset became the business of Mindset Pharma Inc. (formerly North Sur Resources Inc.) ("Mindset" or the "Company").

On September 11, 2020, Original Mindset completed a transaction pursuant to the terms of a share exchange agreement dated July 31, 2020 (the "Share Exchange Agreement") amongst Original Mindset, North Sur Resources Inc. ("North Sur") and the shareholders of Original Mindset. Pursuant to the Share Exchange Agreement, North Sur issued 32,140,823 common shares to the Original Mindset shareholders, representing approximately 62.3% of the issued share capital of North Sur on the closing date of the transaction. This transaction constituted a reverse takeover transaction of North Sur by Original Mindset, with Original Mindset being identified as the accounting acquirer. As a result, these consolidated financial statements are a continuation of Original Mindset. North Sur's results of operations are included from September 11, 2020, onwards, except for share capital which has been retroactively adjusted to reflect the capital of the Company. Refer to notes 4 and 10.

On September 8, 2020, North Sur filed Articles of Amendment in accordance with the *Business Corporations Act* (British Columbia) to change its name to "Mindset Pharma Inc.". Original Mindset is now a wholly-owned subsidiary of the Company.

The Company's common shares are trading on the Canadian Securities Exchange (the "CSE") under the symbol MSET, the Frankfurt Stock Exchange under the symbol 9DF and OTC Markets under the symbol MSSTF. The records, mailing and office address of the Company's executive office is located at 401 – 217 Queen Street West, Toronto, Ontario M5V 0R2. The registered office of the Company is located at Suite 2900 – 595 Burrard Street, Vancouver, British Columbia V7X 1J5.

The Company is in the psychedelic-based drug discovery business creating novel and patent pending psychedelic compounds for treatment-resistant neurological and psychiatric disorders.

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus, also known as "COVID-19", a worldwide pandemic. The pandemic has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve. The COVID-19 pandemic has not resulted in any material impact on the current operations and the Company currently does not expect it will impact its 2022 operations. Preventative measures are in place to ensure the well-being of employees and contractors and no risks were noted at the end of the year. Management continues to monitor the situation at the corporate office to identify any issues that may affect operational or financial reporting activities.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed interim consolidated financial statements of Mindset Pharma Inc. and its subsidiary have been prepared in accordance with IAS 34, Interim Financial Reporting. These condensed interim consolidated financial statements do not include all notes of the type normally included within the annual financial report and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended June 30, 2021 and for the period from October 7, 2019 (date of incorporation) to June 30, 2020, which has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These condensed interim consolidated financial statements of the Company for the period ended September 30, 2021 and 2020 were approved and authorized for issue by the Board of Directors on November 26, 2021.

MINDSET PHARMA INC.

(formerly North Sur Resources Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

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2. BASIS OF PRESENTATION (continued)

(b) Basis of consolidation

The condensed interim consolidated financial statements of the Company include the accounts of its 100% owned subsidiary Mindset Pharma Limited (a company incorporated in Ontario). Subsidiaries are those entities over which the Company has control. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The condensed interim financial statements of subsidiaries are included in the condensed interim consolidated financial statements from the date that control commences until the date that control ceases. Unrealized gains and losses on transactions between the Company and its subsidiary are eliminated.

(c) Basis of presentation and functional and presentation currency

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for convertible debentures, warrants and options, which are measured at fair value.

The condensed interim consolidated financial statements are presented in Canadian dollars, which is also the Company's and the subsidiary's functional currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

These condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the audited consolidated financial statements of the Company as at and for the year ended June 30, 2021 and for the period from October 7, 2019 (date of incorporation) to June 30, 2020.

Change in accounting policy

Cash and cash equivalents

Cash and cash equivalents in the condensed interim consolidated statements of financial position comprises of short term guaranteed investment certificates, cash held at banks and held in trust.

4. REVERSE TAKEOVER TRANSACTION

On September 11, 2020, the Company completed a transaction pursuant to the terms of the Share Exchange Agreement with North Sur. Pursuant to the Share Exchange Agreement, each shareholder of Original Mindset exchanged their ownership interest in Original Mindset for shares of North Sur on a 1 to 1.5235 basis. The option holders of Original Mindset exchanged their rights to Original Mindset options for options of North Sur on a 1 to 1.5235 basis.

As a result of the completion of the Share Exchange Agreement, the shareholders of Original Mindset owned 62.3% of outstanding shares of Mindset and, for accounting purposes, are considered to have acquired control of the Company. A total of 32,140,823 common shares of North Sur were issued to the Original Mindset shareholders.

MINDSET PHARMA INC.

(formerly North Sur Resources Inc.)

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4. REVERSE TAKEOVER TRANSACTION (continued)

Accordingly, the substance of this transaction constitutes a reverse takeover of the Company by Original Mindset and has been accounted for in accordance with the guidance provided in IFRS 2, Share-based Payment, and IFRS 3, Business Combinations. As North Sur does not meet the definition of a business prior to the closing of the Share Exchange Agreement according to the definition in IFRS 3, this reverse takeover transaction did not constitute a business combination; the transaction is accounted for as a capital transaction with Original Mindset being identified as the acquirer and the equity consideration accounted for in accordance with IFRS 2, Share-based Payment, measured at fair value.

The transaction was measured at the fair value of the common shares that Original Mindset would have had to issue to the shareholders of the Company, being 19,476,466 common shares with a fair value of \$2,921,470, and the fair value of 12,000,000 warrants of the Company with a fair value of \$1,230,704, to give the shareholders of the Company the same percentage of equity interest in the combined entity that results from the reverse takeover transaction had it taken the legal form of Original Mindset acquiring the Company. These audited consolidated financial statements include the accounts of the Company as at September 11, 2020 and the historical accounts of the business of Original Mindset since its incorporation.

The fair value of the consideration is as follows:

Fair value of 19,476,466 Mindset common shares	\$	2,921,470
Fair value of 12,000,000 Mindset warrants		1,230,704
	\$	4,152,174

The consideration has been allocated as follows:

Cash	\$	1,038,120
HST recoverable		10,276
Trade and other payables		(39,991)
Reverse takeover transaction cost		3,143,769
	\$	4,152,174

The value of common shares issued in the transactions is measured at the fair value of \$0.15 per share based on North Sur's most recent financing event which took place in August 2020 (note 10(b)).

The warrants were measured at a grant date value of \$1,230,704 as estimated by using the Black-Scholes pricing model with the following assumptions: exercise price of \$0.15; share price of \$0.15; expected volatility of 150%; expected life of 1.78 years; dividend yield of 0% and risk-free interest rate of 0.26%.

5. RECEIVABLE AND OTHER ASSETS

The Company's receivable and other assets are comprised of the following:

	September 30, 2021	June 30, 2021
HST recoverable	\$ 679,299	\$ 517,503
Prepaid expenses	1,933,748	2,786,222
	\$ 2,613,047	\$ 3,303,725

MINDSET PHARMA INC.

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6. RIGHT-OF-USE ASSET

Effective January 1, 2021, the Company entered into a sub-lease agreement for its office space. The agreement has a term of 5 years and is subject to the cancellation by either party with no less than 60 days' notice prior to the end of the term. In calculating the underlying right-of-use asset and corresponding lease liability, management utilized an incremental borrowing rate of 12.42%.

The right-of-use asset is amortized over a period of 60 months.

Cost		
Balance, July 1, 2020	\$	-
Addition during the year		222,645
Balance, June 30, 2021	\$	222,645
Addition during the period		-
Balance, September 30, 2021	\$	222,645
Accumulated Depreciation		
Balance, July 1, 2020	\$	-
Depreciation during the year		22,264
Balance, June 30, 2021	\$	22,264
Depreciation during the period		11,133
Balance, September 30, 2021	\$	33,397
Net book value		
As at June 30, 2020	\$	-
As at June 30, 2021	\$	200,381
As at September 30, 2021	\$	189,248

7. TRADE AND OTHER PAYABLES

The Company's trade and other payables are comprised of the following:

	September 30, 2021	June 30, 2021
Trade payables	\$ 765,200	\$ 214,256
Accrued liabilities	172,500	172,500
	\$ 937,700	\$ 386,756

8. LEASE LIABILITY

Lease liabilities arise from the Company's office space sub-lease (note 6).

	September 30, 2021	June 30, 2021
Office lease	\$ 198,413	\$ 206,652
Less: current portion	36,025	34,858
Long-term portion	\$ 162,388	\$ 171,794

MINDSET PHARMA INC.

(formerly North Sur Resources Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited)

8. LEASE LIABILITY (continued)

The following is a reconciliation of the lease liability for the period ended September 30, 2021 and the year ended June 30, 2021:

	September 30, 2021	June 30, 2021
Lease liability, opening	\$ 206,652	\$ -
Present value of minimum lease payments	-	222,645
Accretion expense	6,761	14,007
Lease payments	(15,000)	(30,000)
Lease liability, balance	\$ 198,413	\$ 206,652

The undiscounted maturity analysis of lease liability at September 30, 2021 is as follows:

	Within 1 Year	1 – 2 year	2 - 3 years	4 – 5 years	Total
Lease payments	\$ 60,000	\$ 60,000	\$ 60,000	\$ 75,000	\$ 255,000

9. CONVERTIBLE DEBENTURE

On November 3, 2020, the Company entered into a secured convertible promissory note transaction with the Ontario Brain Institute ("OBI") in the amount of \$400,000. OBI is a provincially funded, not-for-profit organization that accelerates discovery and innovation, benefiting both patients and the economy. The promissory note bears interest of 6% per annum and matures on the earlier of (a) March 1, 2023 and (b) at the election of the OBI after one or more equity financing. OBI has the right, at its option, to exercise at any time all or any portion of the outstanding indebtedness into common shares of the Company at a price equal to: (i) a 20% discount to the price or deemed price attributed to the common shares of the Company on a 20-day volume weighted average price pursuant to a going public transaction; or (ii) in the event that the going public is not completed, the most recent value per shares ascribed to each of the common share in connection with an offering of the Company or securities convertible or exchangeable into common shares that is completed prior to the date that the applicable conversion notice is delivered ("Conversion Option"). The Company classified this convertible promissory note as a current liability. As collateral, the Company grants OBI a security interest in all of its property and assets, tangible or intangible, and whether now owned or hereafter acquired, or in which it now has or at any time in the future may acquire any right, title or interest. It does not include the last day of any lease, but the Company shall hold such last day in trust for OBI.

In accordance with IAS 32, a contract to issue variable number of shares fails to meet the definition of equity and must instead be classified as a derivative liability and measured at fair value with changes in fair value recognized in the consolidated statement of loss and comprehensive loss. As a result, the Company has elected to classify the entire convertible debenture as FVTPL as permitted under IFRS 9.

As at September 30, 2021, the fair value of convertible debenture was \$484,622 (June 30, 2021 - \$471,369). The Company recorded \$13,253 during the three months ended September 30, 2021 as change in the fair value of convertible debenture on the condensed interim consolidated statement of loss and comprehensive loss (2020 - \$nil). The fair value of the convertible debentures as at September 30, 2021 was calculated using an estimated share price which is based on a probability-weighted multi-scenario model, whereby the probability of going public transaction is 100% and the probability of the convertible debenture being held for repayment is 0%. The calculation utilized an estimated discount rate of 0.52% and estimated fair market interest of 16%. The expected conversion date is March 1, 2023.

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(formerly North Sur Resources Inc.)

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(Unaudited)

10. SHARE CAPITAL

a. Authorized

Authorized share capital consists of an unlimited number of common shares with no par value.

On September 11, 2020, in connection with the reverse takeover transaction, Original Mindset shares and options were exchanged on a 1 to 1.5235 basis for the issuance of Mindset shares and options (note 4).

b. Changes in share capital during the period ended September 30, 2021 are as follows:

	Number of common shares	Amount
Balance, June 30, 2020	21,096,700	\$ 760,585
Reverse takeover costs	19,476,466	2,921,470
Share exchange impacts related to reverse takeover transaction	11,044,123	-
Balance, September 30, 2020	51,617,289	3,682,055
Prospectus offering	11,403,598	8,552,699
Private placements	12,575,000	5,030,000
Warrants exercised	6,200,000	1,565,863
Stock options exercised	2,023,500	103,423
Shares issued for services	600,000	672,000
Shares issued on debt settlement	176,562	87,398
FMV of warrants issued	-	(5,410,200)
FMV of broker warrants issued	-	(327,762)
FMV of compensation options granted	-	(2,880)
Cost of issuance – cash	-	(764,187)
Balance, June 30, 2021	84,595,949	13,188,409
Warrants exercised	3,037,500	1,026,089
Shares issued for services	200,000	224,000
Balance, September 30, 2021	87,833,449	\$ 14,438,498

On September 11, 2020, the Company issued 19,476,466 common shares and had a 11,044,123 common share exchange impact pursuant to the reverse takeover transaction (note 4).

On December 12 and 13, 2020, 2,023,500 options were exercised for gross proceeds of \$66,411. An amount of \$37,012 was transferred from contributed surplus (note 11). Total proceeds from exercise of stock options were offset against payables owing to the holders at the exercise date. No cash proceeds were received from these transactions.

On December 15, 2020, the Company completed a brokered financing, led by Mackie Research Capital Corporation (the "Agent"). The Company issued 10,428,813 units (a "Unit") at a price of \$0.40 per Unit for aggregate gross proceeds of \$4,171,525 (the "Offering"). Each Unit consists of one common share (a "Common Share") in the capital of the Company and one Common Share purchase warrant (a "Warrant"). Each Warrant entitles the holder to acquire one additional Common Share at a price of \$0.60 for a period of twenty-four months from the closing date of the Offering.

In connection with the Offering, the Company paid \$178,711 in cash broker commissions and the Company also issued to the Agent an aggregate of 446,776 broker warrants (each a "Broker Warrant"). Each Broker Warrant entitles the holder to purchase one Common Share at an exercise price of \$0.40 per share for a period of twenty-four months from the closing date of the Offering.

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Notes to the Condensed Interim Consolidated Financial Statements

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10. SHARE CAPITAL (continued)

b. Changes in share capital during the period ended September 30, 2021 (continued):

The fair value of the Broker Warrants at the grant date was \$72,872 determined using the Black-Scholes pricing model. Please refer to note 11 for significant assumptions used in the model.

The Company also issued \$6,350 in finders fees and an aggregate of 15,938 compensation options (a "Compensation Option") to Damus Capital Limited, as consideration for introducing certain purchasers to the Company that participated in the financing event. Each Compensation Option entitles the holder thereof to acquire one Common Share of the Company at a price of \$0.40 until December 15, 2022. The fair value of the Compensation Options at the grant date was \$4,539 determined using the Black-Scholes pricing model. Please refer to note 11 for significant assumptions used in the model.

In addition, the Company incurred \$76,529 in legal and professional fees in connection with the financing event. All cash commission, Broker Warrant, Compensation Option and legal and professional expenditures incurred in connection with the financing have been capitalized as share issuance costs.

As each Unit includes one Common Share and Warrant, the Company bifurcated the Unit at \$0.40 per unit into \$0.25 per Common Share and \$0.15 per Warrant using the Black-Scholes valuation model with the following assumptions: exercise price of \$0.60 share price of \$0.25; expected volatility of 150%; expected life of 2 years; dividend yield of 0% and risk-free interest rate of 0.25%. The fair value allocated to Common Shares are recorded in share capital and the fair value allocated to Warrants are recorded in contributed surplus. \$165,974 of cash share issuance costs were allocated to Common Shares and \$95,616 to Warrants. \$46,236 of broker warrant share issuance costs were allocated to common shares and \$26,636 to warrants. \$2,880 of compensation option share issuance costs were allocated to common shares and \$1,659 to warrants.

On December 16, 2020, the Company completed a non-brokered financing. The Company issued 2,071,187 units (a "Unit") at a price of \$0.40 per Unit for aggregate gross proceeds of \$828,475 (the "Offering"). Each Unit consists of one common share (a "Common Share") in the capital of the Company and one Common Share purchase warrant (a "Warrant"). Each Warrant entitles the holder to acquire one additional Common Share at a price of \$0.60 for a period of twenty-four months from the closing date of the Offering. On January 12, 2021, an additional 75,000 Units were issued in connection with the non-brokered financing for gross proceeds of \$30,000.

As each Unit includes one Common Share and Warrant, the Company bifurcated the Unit at \$0.40 per unit into \$0.25 per Common Share and \$0.15 per Warrant using the Black-Scholes pricing model with the following assumptions: exercise price of \$0.60 share price of \$0.25; expected volatility of 150%; expected life of 2 years; dividend yield of 0% and risk-free interest rate of 0.25%. The fair value allocated to Common Shares are recorded in share capital and the fair value allocated to Warrants are recorded in contributed surplus.

During March to April 2021, an aggregate of 6,200,000 common shares were issued through the exercise of warrants for gross proceeds of \$930,000. An amount of \$635,863 was transferred from contributed surplus in relation to those warrants exercised to share capital (note 11). \$225,000 of the cash proceeds were offset against payables owing to the holder at the exercise date. No cash proceeds were received from this transaction.

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Notes to the Condensed Interim Consolidated Financial Statements

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10. SHARE CAPITAL (continued)

b. Changes in share capital during the period ended September 30, 2021 (continued):

In April 2021, the Company completed a prospectus offering through the issuance of 11,403,598 units (each, a "Unit") of the Company at a price of \$0.75 per Unit for aggregate gross proceeds of \$8,552,699 (the "Offering"). The Units were issued and sold pursuant to the terms of an underwriting agreement dated March 25, 2021, between the Company, Canaccord Genuity Corp. (the "Lead Underwriter"), as lead underwriter and sole bookrunner, along with Stifel Nicolaus Canada Inc. and Cormark Securities Inc. (the "Underwriters").

Each Unit consists of one common share (each, a "Unit Share") and one common share purchase warrant of the Company (each, a "Warrant"). Each Warrant entitles the holder thereof to purchase one common share of the Company (each, a "Warrant Share") at an exercise price of \$1.10 per Warrant Share for a period of thirty-six months following the closing date of the Offering.

As compensation, the Underwriters received \$598,689 in cash commission and 798,252 broker warrants (each a "Broker Warrant"). Each Broker Warrant entitles the holder to purchase one Unit of the Company at an exercise price equal to \$0.75 per Unit for a period of thirty-six months from the closing date of the Offering. The fair value of the Broker Warrants at the grant date was \$483,392 determined using the Black-Scholes pricing model. Please refer to note 11 for significant assumptions used in the model.

The Company also incurred \$428,470 in legal and professional fees in connection with the financing event. All cash commission, Broker Warrant, and legal and professional expenditures incurred in connection with the financing have been capitalized as share issuance costs.

As each Unit includes one Unit Share and Warrant, the company bifurcated the Unit at \$0.75 per unit into \$0.44 per Unit Share and \$0.31 per Warrant using the Black-Scholes pricing model with the following assumptions: exercise price of \$1.10; share price of \$0.42-\$0.49; expected volatility of 150%; expected life of 3 years; dividend yield of 0% and risk-free interest rate of 0.46% - 0.50%. The fair value allocated to Unit Shares are recorded in share capital and the fair value allocated to Warrants are recorded in contributed surplus. \$598,213 of cash share issuance costs were allocated to Common Shares and \$428,946 to Warrants. \$281,526 of broker warrant share issuance costs were allocated to common shares and \$201,866 to warrants.

On May 3, 2021, the Company issued 176,562 common shares to settle a liability with a certain vendor in the amount of \$113,000. The fair value of the common shares was measured based on the share price on the date of settlement and the Company recognized a gain on the settlement of debt in the amount of \$25,602.

Between May to July 2021, an aggregate of 800,000 common shares were issued as compensation to a certain consultant for services provided. The fair value of the common shares was estimated based on the fair value of the services received by the Company, which was \$896,000.

During August to September 2021, an aggregate of 3,037,500 common shares were issued through the exercise of warrants for gross proceeds of \$697,499. An amount of \$328,590 was transferred from contributed surplus in relation to those warrants exercised to share capital (note 11).

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10. SHARE CAPITAL (continued)

c. Loss per share

The calculation of basic and diluted loss per share, for the three months ended September 30, 2021 and 2020 is based on the following losses and number of shares:

Three months ended September 30,	2021	2020
Net loss and comprehensive loss for the period	\$ (7,905,065)	\$ (3,354,391)
Weighted average number of shares - Basic and diluted	86,047,172	27,399,865
Loss per share based on net loss and comprehensive loss for the period:		
Basic and diluted	\$ (0.09)	\$ (0.12)

The diluted weight average number of common shares does not take into account the effects of stock options and warrants as they would be anti-dilutive for the period ended September 30, 2021 and 2020.

11. CONTRIBUTED SURPLUS

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2020	-	\$ -
Issued – September 11, 2020	12,000,000	0.15
Balance, September 30, 2020	12,000,000	\$ 0.15
Issued – December 15, 2020	10,428,813	0.60
Issued – December 15, 2020	446,776	0.40
Issued – December 16, 2020	2,146,187	0.60
Issued – April 15, 2021	10,000,000	1.10
Issued – April 15, 2021	798,252	0.75
Issued – April 19, 2021	1,403,598	1.10
Exercised	(6,200,000)	(0.15)
Balance, June 30, 2021	31,023,626	\$ 0.70
Exercised	(3,037,500)	(0.23)
Balance, September 30, 2021	27,986,126	\$ 0.75

The following table reflects the warrants issued and outstanding as of September 30, 2021:

Issue Date	Number of warrants	Exercise price	Expiry date	Weighted average contractual life (years)
September 11, 2020	3,300,000	\$ 0.15	June 24, 2022	0.73
December 15, 2020	9,891,313	\$ 0.60	December 15, 2022	1.21
December 15, 2020	446,776	\$ 0.40	December 15, 2022	1.21
December 16, 2020	2,146,187	\$ 0.60	December 16, 2022	1.21
April 15, 2021	10,000,000	\$ 1.10	April 15, 2024	2.54
April 15, 2021	798,252	\$ 0.75	April 15, 2024	2.54
April 19, 2021	1,403,598	\$ 1.10	April 19, 2024	2.54
Balance, September 30, 2021	27,986,126			1.73

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11. CONTRIBUTED SURPLUS (continued)

Warrants (continued)

The fair values of warrants issued have been estimated on the date of grant using the Black-Scholes pricing model. Assumptions used in the Black-Scholes pricing model are as follows:

Expiry Date	Grant date share price \$	Exercise price \$	Expected volatility %	Expected option life (Years)	Expected dividend yield %	Risk-free interest rate %
June 24, 2022	0.15	0.15	150.00	1.78	0	0.26
December 15, 2022	0.25	0.60	150.00	2.00	0	0.25
December 15, 2022	0.25	0.40	150.00	2.00	0	0.25
December 16, 2022	0.25	0.60	150.00	2.00	0	0.25
April 15, 2024	0.49	1.10	150.00	3.00	0	0.46
April 15, 2024	0.75	0.75	150.00	3.00	0	0.46-0.50
April 19, 2024	0.42	1.10	150.00	3.00	0	0.50

During the period ended September 30, 2021, the fair value of the warrants issued was \$nil (June 30, 2021 - \$6,442,446).

Options

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, October 7, 2019	-	\$ -
Granted	8,074,550	0.0328
Balance, June 30 and September 30, 2020	8,074,550	\$ 0.0328
Granted – October 26, 2020	200,000	0.2500
Granted – December 14, 2020	1,490,000	0.4000
Granted – December 15, 2020	15,938	0.4000
Granted – February 5, 2021	15,000	1.0300
Granted – April 23, 2021	3,650,000	0.6400
Granted – June 8, 2021	200,000	0.5600
Exercised	(2,023,500)	0.0328
Balance, June 30, 2021	11,621,988	\$ 0.2852
Granted – July 12, 2021	100,000	0.5000
Granted – August 20, 2021	5,050,000	0.9000
Granted – September 1, 2021	100,000	0.9700
Expired	(100,000)	(0.6400)
Balance, June 30, 2021	16,771,988	\$ 0.4736

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11. CONTRIBUTED SURPLUS (continued)

Options (continued)

The Company's stock option plan (the "Plan") provides for the granting of stock options to directors, officers, employees and consultants of the Company. Share options are granted for a term that do not exceed ten years at exercise prices determined by the Board of Directors subject to Exchange approval, if applicable; and are not transferrable. The Plan is administered by the Board of Directors, which determines individual eligibility under the Plan, number of shares reserved for optioning to each individual (not to exceed 5% of issued and outstanding shares to any one individual) and the vesting period. The maximum number of shares of the Company that are issuable pursuant to the Plan is limited to 20% of the issued and outstanding common shares.

On February 3, 2020, the Company granted 1,523,500 options to an officer of the Company which are vested immediately. These options are exercisable to acquire common shares of the Company at a price of \$0.0328 per share and originally had an expiry date of May 30, 2020. These options were valued in the amount of \$13,688. On March 30, 2020, the expiry date of these options was extended to September 30, 2020. On September 14, 2020, the expiry of these options was extended to January 31, 2021. These amendments to the expiry date are considered as a modification to the original option issuance.

Therefore, the incremental fair value of the stock option was valued in the amount of \$8,100 and was fully recognized during the period ended June 30, 2020 as all options were vested on the date of modification. An additional incremental fair value of the stock options was valued in the amount of \$1,927 and was fully recognized during the year ended June 30, 2021.

On February 3, 2020, the Company issued 6,094,000 options to officer, directors and consultants of the Company which are vested immediately. These options are exercisable to acquire common shares of the Company at a price of \$0.0328 per share and expire on February 1, 2023. These options were valued in the amount of \$162,060 on the grant date.

On April 28, 2020, the Company issued 457,050 options to an officer of the Company which are vested immediately. These options are exercisable to acquire common shares of the Company at a price of \$0.0328 per share and expire on December 1, 2020. These options were valued in the amount of \$6,562 on the grant date. On September 11, 2020, the expiry of these options was extended to February 1, 2023. These amendments to the expiry date are considered as a modification to the original option issuance. Due to the modification to the original option issuance, the Company recognized an incremental fair value increase of \$7,895 during the year ended June 30, 2021.

On October 26, 2020, the Company granted 200,000 options to consultants of the Company with an exercise price of \$0.25 and expiry of October 26, 2025. These options were valued in the amount of \$26,438 on the grant date and vests immediately.

On December 12 and 13, 2020, 2,023,500 options were exercised for gross proceeds of \$66,411. The fair market value of these options was calculated at grant date in the amount of \$37,012.

On December 14, 2020, the Company granted 1,490,000 options with an exercise price of \$0.40 and expiry of December 14, 2025. The options were granted to officers, directors and certain consultants of the Company. These options were valued in the amount of \$334,289 on the grant date and vests immediately.

On December 15, 2020, the Company granted 15,938 compensation options related to the Company's December brokered financing. These options were valued at \$4,539 on grant date and vests immediately. \$2,880 of compensation option share issuance costs were allocated to share capital and \$1,659 to contributed surplus.

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11. CONTRIBUTED SURPLUS (continued)

Options (continued)

On February 5, 2021, the Company granted 15,000 options with an exercise price of \$1.03 and expiry of February 5, 2026. The options were granted to a consultant and valued at \$14,022 on grant date. The options vest immediately on the grant date.

On April 23, 2021, the Company granted 3,650,000 options with an exercise price of \$0.64 and expiry of April 23, 2026. The options were granted to officers, directors and certain consultants of the Company. These options were valued in the amount of \$1,515,698 on the grant date and vests immediately.

On June 8, 2021, the Company granted 200,000 options with an exercise price of \$0.56 and expiry of June 8, 2026. The options were granted to a consultant and valued at \$101,752 on grant date. The options vest immediately on the grant date.

On July 12, 2021, the Company granted 100,000 options with an exercise price of \$0.50 and expiry of July 12, 2026. The options were granted to a consultant and valued at \$42,095 on grant date. The options vest immediately on the grant date.

On August 20, 2021, the Company granted 5,050,000 options with an exercise price of \$0.90 and expiry of August 20, 2026. The options were granted to officers, directors and certain consultants of the Company. These options were valued in the amount of \$4,128,420 on the grant date and vests immediately.

On September 1, 2021, the Company granted 100,000 options with an exercise price of \$0.97 and expiry of September 1, 2026. The options were granted to a consultant and valued at \$79,539 on grant date. The options vest immediately on the grant date.

On September 10, 2021, 100,000 options expired. These options were valued at \$41,526 on grant date and was transferred from contributed surplus to accumulated deficit.

During the period ended September 30, 2021, the Company recorded an aggregate of \$4,250,054 (2020 - \$9,822) of share-based compensation.

Options outstanding to purchase common shares at September 30, 2021 have a weighted average exercise price of \$0.4736 (2020 - \$0.0328) and a weighted average remaining contractual life of 3.46 years (2020 – 1.96 years).

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11. CONTRIBUTED SURPLUS (continued)

Options (continued)

A summary of outstanding options granted, exercise prices and remaining terms to maturity, is as follows:

Number of Options	Options Exercisable	Exercise Price	Fair Value at Grant Date	Expiry Date	Weighted Average Contractual Life Outstanding
#	#	\$	\$		(Years)
6,051,050	6,051,050	0.0328	163,220	February 1, 2023	1.34
200,000	200,000	0.2500	26,438	October 26, 2025	4.07
1,490,000	1,490,000	0.4000	334,289	December 14, 2025	4.21
15,938	15,938	0.4000	4,539	December 15, 2022	1.21
15,000	15,000	1.0300	14,022	February 6, 2026	4.35
3,550,000	3,550,000	0.6400	1,474,172	April 23, 2026	4.56
200,000	200,000	0.5600	101,752	June 8, 2026	4.69
100,000	100,000	0.5000	42,095	July 12, 2026	4.78
5,050,000	5,050,000	0.9000	4,128,420	August 20, 2026	4.89
100,000	100,000	0.9700	79,539	September 1, 2021	4.92
16,771,988	16,771,988	0.4736	6,368,486		3.46

The fair values of options granted have been estimated on the date of grant using the Black-Scholes option-pricing model. Assumptions used in the pricing model are as follows:

Expiry Date	Grant date share price \$	Exercise price \$	Expected volatility %	Expected option life (Years)	Expected dividend yield %	Risk-free interest rate %
January 31, 2021	0.0328	0.0328	150.00	0.65	0	1.65
February 1, 2023	0.0328	0.0328	150.00	3.00	0	1.53
February 1, 2023	0.0328	0.0328	150.00	0.59	0	0.32
October 26, 2025	0.1500	0.2500	150.00	5.00	0	0.38
December 14, 2025	0.2500	0.4000	150.00	5.00	0	0.25
December 15, 2022	0.2500	0.4000	150.00	2.00	0	0.25
February 5, 2026	1.0300	1.0300	150.00	5.00	0	0.47
April 23, 2026	0.4650	0.6400	150.00	5.00	0	0.93
June 8, 2026	0.5600	0.5600	150.00	5.00	0	0.88
July 12, 2026	0.4650	0.5000	150.00	5.00	0	0.94
August 20, 2026	0.9000	0.9000	150.00	5.00	0	0.81
September 1, 2026	0.8800	0.9700	150.00	5.00	0	0.84

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12. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Company

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and other members of key management personnel during the period ended September 30, 2021 and 2020 was as follows:

	2021	2020
Consulting fees	\$ 193,750	\$ 75,945
Research and development	728,793	-
Share-based compensation	1,757,644	9,822
	\$ 2,680,187	\$ 85,767

As at September 30, 2021, the Company owed \$676,735 (June 30, 2021 - \$110,517) to officers and directors of the Company which is included in trade and other payables.

13. FINANCIAL INSTRUMENTS

Fair value

As at September 30, 2021, the carrying amounts of the Company's financial instruments, which includes cash and cash equivalents and trade and other payables, are approximately equivalent to their fair values due to the relatively short periods to maturity of these instruments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Convertible debenture is measured at fair value.

Fair value hierarchy

The following provides a description of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value of 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).

There were no transfers between Level 1 and Level 2 during the reporting period.

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13. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Level 3 financial instrument includes convertible debenture (note 9). Movement during the period ended September 30, 2021 is shown as follows:

	Amount
Balance, June 30 and September 30, 2020	\$ -
Issuance of debenture	400,000
Change in fair value during the period	71,369
Balance, June 30, 2021	\$ 471,369
Change in fair value during the period	13,253
Balance, September 30, 2021	\$ 484,622

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

(i) Currency risk

The Company does not hold any assets or liabilities denominated in a foreign currency. Therefore, the Company is not exposed to currency risk.

(ii) Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company's credit risk is primarily attributable to cash and cash equivalents. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consist of bank deposits, short term guaranteed investment certificates and cash held in trust which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote.

(iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2021, the Company had cash and cash equivalents and receivable and other balance of \$7,717,680 (June 30, 2021 - \$9,884,101) to settle current liabilities of \$1,458,347 (June 30, 2021 - \$892,983). As such, liquidity risk for the Company is considered low.

The following amounts are the contractual maturities of financial liabilities as at September 30, 2021:

	Total \$	1 year \$	2 – 5 years \$
Trade and other payables	937,700	937,700	-
Convertible debenture	455,867	455,867	-
Lease liability	255,000	60,000	195,000
	1,648,567	1,453,567	195,000

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13. FINANCIAL INSTRUMENTS (continued)

(iv) Interest rate risk

Interest rate risk is the potential impact on any Company earnings due to changes in bank lending rates and short-term deposit rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Management considers interest rate risk to be minimal. As at September 30, 2021, \$4,500,000 was held in guaranteed investment short-term deposit certificates.

14. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support general operations of the Company and facilitate the liquidity needs of its operations. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its working capital position, share capital and reserve for share-based payments.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended September 30, 2021. The Company is not subject to externally imposed capital requirements.

15. COMMITMENTS

The Company is committed to monthly payments under the terms of management and consulting contracts and office lease. The aggregate remaining payments per year are as follows:

	Amount
Year 1	\$ 1,768,575
Year 2	1,480,000
Year 3	1,480,000
Year 4	1,480,000
Year 5	1,450,000

Certain agreements contain clauses requiring additional payments of up to \$1,505,000 be made upon the occurrence of certain events such as change of control.

16. SUBSEQUENT EVENTS

On November 10, 2021, the Company issued an aggregate of 550,000 common shares through the exercise of warrants for gross proceeds of \$330,000.

On November 15, 2021, the Company granted of 550,000 options with an exercise price of \$0.75 and expiry of November 15, 2026 to a certain consultant.