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Division No. 01 - Halifax
Court No. 45805
Estate No. 51-3085314

IN THE MATTER OF THE BANKRUPTCY OF
HALUCENEX LIFE SCIENCES INCORPORATED
TRUSTEE'S PRELIMINARY REPORT

PURPOSE AND DISCLAIMER

The purpose of this report is to inform all interested parties about the Trustee's preliminary administration and findings of the bankrupt estate. Readers are cautioned that the Trustee has relied upon third parties for information in the preparation of this report and that such information may be incomplete and inaccurate. The Trustee's review of this information as part of the preparation of this report does not constitute an audit, nor has the Trustee extensively verified any of the information provided, unless otherwise noted. Therefore, the contents of this report should be considered "for general information purposes only".

BACKGROUND AND CAUSES OF INSOLVENCY

Halucenex Life Sciences Incorporated ("HCX" or the "Company") was incorporated on November 24, 2018 and operated as a life sciences company focusing on the use of psychedelic medicine.

The operations were focused on conducting a phase two clinical trial to evaluate the efficacy of psilocybin as a potential treatment for treatment-resistant Post-Traumatic Stress Disorder ("PTSD"). This innovative approach aimed to address a critical need within the mental health community, targeting individuals who had not responded to traditional PTSD treatments.

The Company's financial difficulties can be attributed to two primary key factors:

1. **Higher Than Expected Operational Costs:** The costs associated with operating and completing the clinical trial were significantly higher than anticipated. These included expenses related to research, compliance, and clinical operations.
2. **Capital Market Challenges:** The Company experienced increased difficulty in raising capital in the market. This was primarily due to a challenging capital markets environment characterized by rising interest rates and global inflation. These economic conditions made it harder to secure the necessary funding to sustain operations.

As a result of these financial challenges, the Company effectively ceased operations on or around November 30, 2023. The Trustee understands that all employees were laid-off and paid wages outstanding and entitled severance, including government remittances, marking the end of the Company's activities. Management assigned the Company into bankruptcy on May 28, 2024.

ASSETS

The following table summarizes HCX's assets and liabilities as detailed in the Statement of Affairs ("SOA") as at May 28, 2024, including the estimated net realization value of HCX's assets and deficiency to unsecured creditors. The asset values reflected below are net book values as detailed in the Company's records as at April 30, 2024.

Halucenex Life Sciences Incorporated Statement of Affairs as of May 28, 2024 In CAD (\$)	Net Book Value	Estimated Net Realization Value
Assets		
Cash	34,820	34,820
SR&ED refund	-	92,956
Intercompany receivable	117,694	1
Prepaid expenses	12,220	1
Inventory	30,137	1
Plant and equipment	4,144	1
Leasehold Improvements	126,512	1
Total Assets	325,527	127,781
Liabilities		
Unsecured Claims		3,172,123
Total Liabilities		3,172,123
Deficiency		(3,044,343)

**Disclaimer: The SOA was prepared by using the internal records of the Company. The information contained and discussed herein has not been audited, reviewed, or otherwise verified by BDO Canada Limited ("BDO"), and as such BDO expresses no opinion, whether expressed or implied, regarding the accuracy of the information contained herein.*

Cash

Cash holdings were transferred to the Trustee by Company management on the eve of bankruptcy from Credit Union Atlantic ("CUA"), the Company's banking institution.

SR&ED refund

Company management advised that the income tax return for the year ended December 31, 2023 was filed and that management expected a refund attributable to a Scientific Research and Experimental Development ("SR&ED") credit of approximately \$92,000.

Subsequent to the bankruptcy, \$92,956 was deposited into the Company's bank account held at CUA by the Canada Revenue Agency ("CRA"). The Trustee has also requested these funds be transferred from HCX's bank account to the Trustee to be held in trust for the general benefit of HCX's creditors. Said transfer of funds has yet to be completed as at the date of this report.

Intercompany receivable

The Company's intercompany receivable is offset by an intercompany payable of approximately \$2.9 million, therefore collection of the receivable is doubtful due to offset rights.

Plant and equipment

Plant and equipment is understood to primarily consist of laboratory equipment. Due to amounts owed to the Company's landlord, where the equipment was located (as explained in the next section below), the Trustee does not anticipate significant realizations from this asset.

Leasehold Improvements

Leasehold improvements related to improvements to the Company's former leased space. Due to the nature of the asset and amounts owed to the Company's landlord, the Trustee does not anticipate significant realizations from this asset.

CONSERVATORY AND PROTECTIVE MEASURES

a) Conservatory and protective measures

The Trustee issued a written request to the Company's banking institution requesting it to freeze all bank accounts under HCX. CUA confirmed the bank accounts were frozen.

HCX operated out of a leased premise owned by Manewagi Technologies Incorporated ("**Manewagi**" or the "**Landlord**"). The Trustee is aware that Manewagi is owned by the former Managing Director of HCX, therefore the Landlord and the Company were not operating at arm's length.

It is the Trustee's understanding that the Landlord effectively terminated the lease agreement once the Company's operations ceased, sold assets that remained on the premises and applied the proceeds towards debt owed. The Trustee has requested that the Landlord provide the following detailed information:

- The specific assets that were sold;
- The amount for which these assets were sold; and
- The debts that were owed and remain owing to the Landlord.

Additionally, the Trustee has been informed that there are still assets remaining at the formerly leased premises. As part of the Trustee's ongoing investigation, it plans to visit the premises to assess the value of the remaining assets. Creditors will be updated as more information becomes available.

b) Carrying on business

HCX ceased operations on or around November 30, 2023. The Trustee has no plans to operate the business.

c) Books and records

Paper and electronic books and records of the Company that are relevant to the bankruptcy administration are under the custody and control of the Trustee.

LEGAL PROCEEDINGS

The Trustee is not aware of any legal claims against the Company.

PROVABLE CLAIMS

The Trustee continues to review the proofs of claim being advanced by HCX's creditors and has not at this time completed an adjudication of the claims.

SECURED CREDITORS

The Trustee is not aware of any secured claims against the HCX.

ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

The Company's liquid assets consist of cash on hand and the SR&ED credit. The Trustee does not anticipate significant recoveries from the Company's other assets; therefore the Trustee anticipates a significant shortfall to unsecured creditors.

PREFERENCES AND TRANSACTIONS AT UNDERVALUE

The Trustee is not aware of any preferential payments or transactions at undervalue. The Trustee will report any findings to the estate inspectors, if any, in due course. Should any creditors have knowledge of potential preferential payments or transactions at undervalue, they are encouraged to contact the Trustee.

SECTION J - OTHER MATERIAL MATTERS NOT COVERED ABOVE

The Trustee received a retainer of \$34,760 from HCX prior to the date of bankruptcy to cover professional fees and any additional costs, or a portion thereof, related to the administration of the estate. The retainer would form part of the bankrupt estate; therefore, the Trustee intends to have the retainer applied against the Trustee's fees to administer the bankrupt estate.

Dated at Halifax, Nova Scotia this 18th day of June 2024.

BDO CANADA LIMITED

In its capacity as Trustee in Bankruptcy of
Halucenex Life Sciences Incorporated
and not in its personal capacity

Per:



Neil Jones, CPA, CA, CIRP, LIT
Senior Vice President