Optimi Health Corp.

Condensed interim consolidated financial statements

Period Ended December 31, 2024

(Expressed in Canadian Dollars)

Unaudited

optimi

Optimi Health Corp.

Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	December 31, 2024 $	September 30, 2024 $
ASSETS			
Current			
Cash and cash equivalents	3	82,498	103,660
Accounts receivable		107,328	124,147
Inventory	4	632,195	894,820
Prepaids and advances	6	78,962	109,960
Total current assets		900,983	1,232,587
Deposits		17,548	17,548
Plant and equipment	7	13,070,888	13,278,883
Right-of-use assets	8	14,678	22,017
Total assets		14,004,097	14,551,035
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	9	956,397	922,383
Due to related parties	13	1,402,061	1,185,268
Deferred revenue	10	216,062	116,391
Current portion of lease liabilities	8	23,020	32,781
Current portion of loans payable	11	977,000	960,000
Total current liabilities		3,574,540	3,216,823
Loans payable	11	1,790,000	1,758,500
Total liabilities		5,364,540	4,975,323
Shareholders' equity			
Share capital	12	31,143,441	31,158,441
Subscriptions received in advance	12	335,000	-
Reserves	12	1,996,498	2,028,102
Accumulated deficit		(24,835,382)	(23,610,831)
Total shareholders' equity		8,639,557	9,575,712
Total liabilities and shareholders' equity		14,004,097	14,551,035

Approved and authorized by the Board on March 3, 2025

"Jon Schintler" Director *"John James Wilson"* Director

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

Optimi Health Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Note	Period Ended December 31, 2024 $	Period Ended December 31, 2023 $
Revenue		232,700	105,074
Cost of sales	4	(62,473)	(70,113)
Gross margin before fair value adjustments		170,227	34,961
Unrealized gain in fair value of biological assets	5	-	141,162
Fair value change on sale of inventory		-	-
Gross margin		170,227	176,123
Expenses			
Advertising, promotion and public relations		30,503	52,970
Amortization and depreciation	5, 7, 8	228,917	168,171
Bank charges and interest	8, 11	108,004	96,103
Consulting	13	219,734	246,145
Insurance		82,863	104,832
Office, rent and administration		57,690	78,694
Production costs		73,188	29,535
Professional fees		38,152	84,821
Research and development		201,998	8,613
Share-based compensation	12, 13	2,825	18,841
Shipping		26,849	37,587
Transfer agent and filing fees		33,661	35,223
Travel and accommodation		11,179	13,501
Wages and benefits	13	320,893	452,296
Total Expenses		(1,436,456)	(1,427,332)
Interest and other income	3	7,249	8,835
Loss and comprehensive loss for the period		(1,258,980)	(1,242,374)
Loss per share			
Basic and diluted		$(0.01)	$(0.01)
Weighted average number of common shares outstanding			
Basic and diluted		94,663,356	86,067,107

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

Optimi Health Corp.

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Period Ended December 31, 2024 $	Period Ended December 31, 2023 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	(1,258,980)	(1,242,374)
Add back non-cash items		
Amortization	228,917	168,171
Unrealized gain in fair value of biological assets	-	(141,162)
Share-based compensation	2,825	18,841
Loan accretion	48,500	37,500
Lease interest	739	1,664
Changes in non-cash working capital items		
Accounts receivable	16,819	(69,576)
Inventory	262,625	199,517
Biological assets	-	(211,005)
Deferred revenue	99,671	-
Prepaids and advances	30,998	45,551
Due to related party	216,793	82,969
Accounts payable and accrued liabilities	42,105	(715,581)
Cash used in operating activities	(308,988)	(1,825,485)
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits	-	(2,250)
Plant and equipment expenditures	(21,674)	(13,367)
Cash used in investing activities	(21,674)	(15,617)
CASH FLOWS FROM FINANCING ACTIVITIES		
Subscriptions received in advance	335,000	-
Proceeds from loans	-	1,000,000
Share issue costs	(15,000)	-
Payment of lease obligations	(10,500)	(10,500)
Cash provided by financing activities	309,500	989,500
Change in cash and cash equivalents during the period	(21,162)	(851,602)
Cash and cash equivalents, beginning of period	103,660	1,344,778
Cash and cash equivalents, end of period	82,498	493,176
SUPPLEMENTAL INFORMATION		
Plant and equipment costs included in accounts payable	$74,540	$74,532
Transfer from reserves to share capital on exercise of RSRs	-	$104,344
Equity component of loans payable	-	$104,000
Transfer from reserves to deficit on cancellation of options	$34,429	-

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

Optimi Health Corp.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Common Shares	Share Capital $	Subscriptions received in advance $	Reserves $	Deficit $	Total Equity $
Balance, October 1, 2023	87,038,441	28,698,155	-	2,157,756	(17,645,018)	13,210,893
Shares issued on conversion of RSRs	139,125	104,344	-	(104,344)	-	-
Share-based compensation	-	-	-	18,841	-	18,841
Equity component of mortgages payable	-	-	-	104,000	-	104,000
Loss and comprehensive loss for the period	-	-	-	-	(1,242,374)	(1,242,374)
Balance, December 31, 2023	87,177,566	28,802,499	-	2,176,253	(18,887,392)	12,091,360
Balance, October 1, 2024	94,663,356	31,158,441	-	2,028,102	(23,610,831)	9,575,712
Subscriptions received in advance	-		335,000	-	-	335,000
Share issue costs	-	(15,000)	-	-	-	(15,000)
Transfer from reserves to deficit on cancellation of options	-	-	-	(34,429)	34,429	-
Share-based compensation	-	-	-	2,825	-	2,825
Loss and comprehensive loss for the period	-	-	-	-	(1,258,980)	(1,258,980)
Balance, December 31, 2024	94,663,356	31,143,441	335,000	1,996,498	(24,835,382)	8,639,557

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

1. Nature of Operations and Going Concern

Optimi Health Corp. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on May 27, 2020, under the name 1251417 B.C. Ltd. The Company changed its name from 1251417 B.C. Ltd. to Optimi Health Corp. on August 17, 2020.

The Company is licensed by Health Canada to produce and supply natural GMP-grade psilocybin, psilocin, and other psychedelic substances, some being synthetically formulated, as well as functional mushrooms that focus on domestic and international health and wellness markets. Built with the purpose of producing scalable psychedelic and functional mushroom products for transformational human experiences, the Company's products are grown at its two facilities comprising a total of 20,000 square feet in Princeton, British Columbia. Focused on being a compassionate supplier of safe drug and nutraceutical products, the Company works with consumers, health food distributors, and drug developers and patients regulated by Health Canada.

The registered and records office is located at 40440 Thunderbird Ridge, Garibaldi Highlands, British Columbia, Canada, V0N 1T0.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the period ended December 31, 2024, the Company incurred a net loss of $1,258,980 and has not yet achieved profitable operations. The Company has an accumulated deficit of $24,835,382 since its inception. Without additional financing, the Company may not be able to fund its ongoing operations. The Company intends to finance its future requirements through a combination of debt and/or equity issuances. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. These uncertainties may cast significant doubt on the Company's ability to continue as a going concern. These condensed interim consolidated financial statements do not include any adjustments related to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material. Subsequent to the period ended December 31, 2024, the Company raised $395,000 through issuance of 1,316,668 units and directors forgave $903,951 in debt, reported as amounts owing to related parties as at December 31, 2024 (Note 18).

2. Basis of Presentation

a) Statement of compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"s). They do not include all disclosures required by IFRS Accounting Standards ("IFRS") for annual financial statements, and, therefore, should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2024, prepared in accordance with IFRS as issued by the IASB. Material accounting policies not included in the audited consolidated financial statements for the year ended September 30, 2024 are described below.

These condensed interim consolidated financial statements were authorized by the Audit Committee and Board of Directors of the Company (the "Board") on March 3, 2025.

b) Basis of presentation

These condensed Interim consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value. These condensed Interim consolidated financial statements are presented in Canadian dollars, which is the Company and its subsidiaries' functional currency.

c) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries' with intercompany balances and transactions eliminated on consolidation. Subsidiaries are those entities over which the Company has the power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. As of December 31, 2024, the Company has 100% ownership interest in Optimi Labs Inc. and Optimi Nutraceuticals Corp.

d) Significant accounting judgments and estimates

The preparation of condensed interim consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and the reported revenues and expenses during the year. Actual results may differ from these estimates.

Significant estimates and judgments are evaluations and assumptions about the future and other sources of estimation uncertainty that management has made, which could result in a material adjustment to the carrying amounts of assets and liabilities. Significant estimates and judgments used in the preparation of these condensed interim consolidated financial statements include, but are not limited to, the following:

Going concern

The assessment of whether the concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

Provisions and contingencies

The amount recognized as a provision, including legal, contractual, constructive, and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. The Company assesses its liabilities and contingencies based upon the best information available.

Impairment of Plant and equipment

Management considers both external and internal sources of information in determining if there are any indications that the Company's Plant and equipment is impaired. Management considers the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of its plant. Management considers the manner in which the Plant and equipment is being used or is expected to be used an indication of economic performance of the assets.

Valuation of inventory

Inventories are valued at the lower cost and net realizable value except for biological inventory which includes a fair value component. Purchased inventory is accounted for using the weighted average purchase cost of the components that comprise finished goods inventory. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

Valuation of share-based payments

The Company uses the Black-Scholes option pricing model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves. The Company estimates volatility based on the Company's historical share prices, excluding specific time frames in which volatility was affected by specific transactions that are not considered to be indicative of the entities' expected share price volatility.

Biological assets and inventory

In calculating the value of the biological assets, management is required to make a number of estimates, including estimating the stage of growth of the mushrooms up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the mushrooms. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compare the inventory cost versus net realizable value. The cost and fair value of biological assets are capitalized to the extent that their cost and fair value will be recoverable.

(Expressed in Canadian Dollars)

Estimated useful lives of Plant and equipment

Depreciation of Plant and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment.

3. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	Maturity	Classification	December 31, 2024 $	September 30, 2024 $
Cash	N/A	Cash	72,498	8,660
Term deposit – 3.0%	Demand	Cash equivalent	-	70,000
Term deposit – 4.25%	Demand	Cash equivalent	-	25,000
Term deposit – prime – 2.45%	Demand	Cash equivalent	10,000	-
			82,498	**103,660**

During the period ended December 31, 2024, the Company earned $7,249 (September 30, 2024 - $2,665) in interest income.

4. Inventory

Inventory consists of the Company's finished goods functional mushroom nutraceutical products, drug products, harvested mushrooms and raw materials.

	December 31, 2024 $	September 30, 2024 $
Finished goods drug products	-	21,838
Finished goods nutraceutical products	22,941	66,807
Mushroom biomass	574,029	770,143
Raw materials	35,225	36,032
	632,195	**894,820**

As at December 31, 2024, the Company holds 157kg (September 30, 2024 - 210kg) in harvested mushroom biomass.

Cost of sales consists of the following:

	December 31, 2024 $	December 31, 2023 $
Finished goods drug products	15,955	-
Finished goods nutraceutical products	44,672	65,804
Other	1,846	4,309
	62,473	**70,113**

(Expressed in Canadian Dollars)

5. Biological Assets

The Company grows psilocybin containing mushrooms at its plant located in Princeton, British Columbia. Biological assets consist of psilocybin mushrooms.

	Total $
Balance, September 30, 2023	**-**
Production costs capitalized	119,007
Unrealized gain in fair value of biological assets, less cost to sell	156,145
Transfer to inventory upon harvest	(275,152)
Balance, September 30, 2024 and December 31, 2024	-

During the year ended September 30, 2023, the Company commenced production and harvest of psilocybin mushrooms to be used for commercial purposes. As at December 31, 2024 (September 30, 2024 - nil), the Company had no mushrooms in the growth stage due to the timing of harvests. Although the Company can sell its raw mushroom biomass, it will further process the raw mushroom biomass into psilocybin extract. The cost to process and extract psilocybin are considered costs to sell and are deducted from the fair value of mushroom biomass.

Determination of fair value of the biological assets requires the Company to make various estimates and assumptions. The fair value of biological assets is considered a Level 3 category in the IFRS fair value hierarchy. When applying IFRS 13 Fair Value Measurement to non-financial assets, in this case the biological asset and produce, the fair value considers a market participant's ability to use that asset in its highest and best use. The highest and best use considers the use of the asset that is physically possible, legally permissible, and financially feasible, either in combination with other assets or on a standalone basis. The significant estimates and inputs used to assess the fair value of biological assets include the following assumptions for December 31, 2024 and 2023:

- Selling price – calculated based on the expected selling price of psilocybin extract derived from processing the raw mushroom biomass, based on the Company's purchase orders received to date.
- Post-harvest costs – calculated as the cost per gram required to convert the raw mushroom biomass into psilocybin extract, consisting of labour, raw materials, and laboratory testing.
- Psilocybin potency of raw mushroom inputs – calculated based on the percent psilocybin as a function of raw mushroom input biomass.
- Recovery efficiency of psilocybin extract – calculated based on the weight of psilocybin extracted from raw mushroom biomass as a function of the input psilocybin weight.

	September 30, 2024 $
Selling Price (per gram of psilocybin extract)	$ 1,000
Post harvest costs (per gram of psilocybin extract)	$ 451
Psilocybin potency (mg/g)	12
Recovery efficiency of psilocybin (%)	55.24

During the period ended December 31, 2024, $nil (September 30, 2024 - $20,000) in amortization was capitalized to biological assets (Note 7).

(Expressed in Canadian Dollars)

6. Prepaids and Advances

Prepaids and advances consist of the following:

	December 31, 2024 $	September 30, 2024 $
Prepaid insurance	41,667	104,166
Prepaid transfer agent and filing fees	37,295	5,794
	78,962	**109,960**

7. Plant and equipment

The Company's two cultivation and processing facilities located in Princeton, British Columbia (the "Princeton Facilities"). The Princeton Facilities were considered substantially complete on June 27, 2022 and depreciation commenced on the plant.

	Equipment $	Plant $	Total $
Cost			
September 30, 2024	1,749,753	13,370,246	15,119,999
Additions	13,583	-	13,583
December 31, 2024	1,763,336	13,370,246	15,133,582
Accumulated depreciation			
September 30, 2024	637,382	1,203,734	1,841,116
Additions	86,777	134,801	221,578
December 31, 2024	724,159	1,338,535	2,062,694
Net book value			
September 30, 2024	1,112,371	12,166,512	13,278,883
December 31, 2024	1,039,177	12,031,711	13,070,888

During the period ended December 31, 2024, $nil (September 30, 2024 - $20,000) in depreciation was capitalized to biological assets (Note 5).

8. Right-of-Use Assets and Lease Liabilities

The Company has a lease agreement with BC Green Pharmaceuticals Inc. ("BC Green"), a company related by a common director and common officers, whereby the Company has leased industrial land from BC Green on which to build its Princeton Facilities. Upon signing of the lease agreement, the Company recognized $158,683 for a right-of-use ("ROU") asset and $158,683 for a lease liability representing the present value of the future lease payments discounted using an effective interest rate of 10%. The lease payments are $3,500 per month.

(Expressed in Canadian Dollars)

The continuity of the ROU assets and lease liability are as follows:

ROU asset	**Total $**
ROU asset as at September 30, 2023	51,374
Amortization	(29,357)
ROU asset as at September 30, 2024	22,017
Amortization	(7,339)
ROU asset as at December 31, 2024	**14,678**

Lease liability	**Total $**
Lease liability as at September 30, 2023	69,485
Lease payments	(42,000)
Lease interest	5,296
Lease liability as at September 30, 2024	**32,781**
Lease payments	(10,500)
Lease interest	739
Lease liability as at December 31, 2024	**23,020**

	December 31, 2024 $	**September 30, 2024 $**
Current portion	23,020	32,781
	23,020	**32,781**

9. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are composed of the following:

	December 31, 2024 $	**September 30, 2024 $**
Accounts payable	877,523	749,376
Accrued liabilities	78,874	173,007
	956,397	**922,383**

10. Deferred Revenue

Deferred revenue relates to deposits received pursuant to various supply agreements:

During the year ended September 30, 2023, the Company received a non-refundable deposit of $112,500 pursuant to a supply agreement for gross proceeds of $450,000. The purchaser has the option to purchase additional products for proceeds of up to an additional $450,000. During the year ended September 30, 2024, the Company received an additional $9,968 in deposits recorded as deferred revenue and recorded a reduction in deferred revenue of $6,077 as it commenced fulfilling its obligations under the supply agreement. During the period ended December 31, 2024, the Company received an additional $118,439 in deposits recorded as deferred revenue and recorded a reduction in deferred revenue of $18,768 as it commenced fulfilling its obligations under the supply agreement.

(Expressed in Canadian Dollars)

Deferred revenue	**$**
Deferred revenue as at September 30, 2023	112,500
Deposits received	9,968
Revenue fulfilled	(6,077)
Deferred revenue as at September 30, 2024	116,391
Deposits received	118,439
Revenue fulfilled	(18,768)
Deferred revenue as at December 31, 2024	216,062

11. Loans payable

During the year ended September 30, 2024, the Company received gross proceeds of $1,000,000 (2023 - $2,000,000) from loans with an interest rate of 7.5% (2023 - 7.5%) and a term of one and a half years (2023 - three years) secured against the assets of the Company. In connection with this financing, the Company issued 100,000 (2023 - 200,000) common share purchase warrants with an exercise price of $0.50 and a term of one and a half years (2023 - three years) (note 12).

The interest rate of 7.5% was determined to be a below market rate of interest. The loans were recorded at fair value on initial recognition, which was determined to be $896,000 (2023 - $1,639,000) using a discount rate of 15%, resulting in a total discount of $100,000 (2023 - $361,000). As the loans were provided by shareholders of the Company, the discount was considered to a component of equity. The warrants were valued at $4,000 (2023 - $17,000) using the Black-Scholes option pricing model and were accounted for as debt issuance costs. The inputs to the Black-Scholes pricing model were as follows: stock price – $0.17 (2023 - $0.20), exercise price – $0.50 (2023 - $0.50), expected life – 1.5 years (2023 - 3 years), volatility – 100% (2023 – 100%), and discount rate – 3.79% (2023 - 0.41%).

During the period ended December 31, 2024, the Company recorded $56,250 (2023 - $56,250) in interest expense of which $56,250 (2023 - $nil) was accrued interest payable recorded in accounts payable and accrued liabilities, and recorded loan accretion of $48,500 (2023 - $37,500) in relation to these loans. As at December 31, 2024, the Company has accrued $150,000 (2023 - $93,750) in interest payable recorded in accounts payable and accrued liabilities.

Loans	**$**
Loans as at September 30, 2023	1,637,750
Loan proceeds received	1,000,000
Equity component of loans	(104,000)
Loan accretion	184,750
Loans as at September 30, 2024	2,718,500
Loan accretion	48,500
Loans as at December 31, 2024	2,767,000
Classified as current	977,000
Classified as long-term	1,790,000

The maturity dates of these loans are as follows:

Maturity date	**$**
May 1, 2025	1,000,000
August 4, 2026	1,000,000
August 31, 2026	1,000,000
	3,000,000

(Expressed in Canadian Dollars)

12. Share Capital

a) Authorized

Unlimited number of common shares without par value.

b) Issued and outstanding

The total issued and outstanding share capital as at December 31, 2024 consisted of 94,663,356 common shares without par value.

The Company did not issue any common shares during the period ended December 31, 2024.

During the period ended December 31, 2024, the Company received $335,000 in share subscriptions received in advance which formed a portion of the proceeds for the private placement completed subsequent to the period ended December 31, 2024 (note 18)

During the period ended December 31, 2023, the Company:

- Issued 139,125 common shares valued at $104,344 on exercise of restricted share rights ("RSRs").

Warrants

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance, September 30, 2023	3,046,154	$0.50
Issued	3,498,332	$0.40
Exercised	(499,999)	$0.40
Expired	(2,846,154)	$0.50
Balance, September 30 and December 31, 2024	3,198,333	$0.41

The following is a summary of warrants as at December 31, 2024:

Expiry date	Exercise price	Number of warrants	Weighted average remaining contractual life (years)
August 4, 2026	$0.50	100,000	1.59
August 29, 2026	$0.50	100,000	1.66
November 1, 2026	$0.50	100,000	1.84
February 23, 2026	$0.40	758,350	1.15
May 10, 2026	$0.40	333,334	1.36
May 29, 2026	$0.40	908,316	1.41
August 15, 2026	$0.40	898,333	1.62
	$0.41	3,198,333	1.43

c) Equity incentive plan

The Company has an equity incentive plan ("EIP") under which the Board may, from time to time in its discretion, grant stock options, RSRs or deferred share units of the Company to its directors, officers, employees, consultants, and advisors. The aggregate number of common shares that may be subject to issuance under the EIP, together with any other securities-based compensation arrangements of the Company, shall not exceed 15% of the Company's issued and outstanding share capital.

(Expressed in Canadian Dollars)

Stock options

The EIP authorizes the Board to grant options to eligible directors and employees (including officers). The number of options, the exercise price per option, the vesting period, and any other terms and conditions of options granted from time to time pursuant to the EIP, are determined by the Board at the time of the grant, subject to the defined parameters of the EIP. Unless otherwise determined by the Board, stock options will have a term of five years and 25% of the options granted will vest immediately, and 25% will vest each six-month period thereafter.

During the period ended December 31, 2024, the Company granted no stock options.

During the period ended December 31, 2023, the Company granted 100,000 stock options with an exercise price of $0.65 and a term of five years.

During the period ended December 31, 2024, the Company recorded $2,825 (2023 - $5,858) in share-based compensation expense due to the vesting of options.

Options transactions are summarized as follows:

	Number of options	Weighted average exercise price
Balance, September 30, 2023	3,950,000	$1.32
Expired	(150,000)	$1.50
Granted	115,000	$0.61
Balance, September 30, 2024	3,915,000	$1.31
Cancelled	(75,000)	$1.50
Balance, December 31, 2024	3,840,000	$1.31

The following is a summary of stock options as at December 31, 2024:

Expiry date	Exercise price	Number of options	Options exercisable	Weighted average remaining contractual life (years)
October 9, 2025	$0.50	500,000	500,000	0.77
January 26, 2026	$0.60	40,000	40,000	1.07
May 6, 2026	$1.50	2,025,000	2,025,000	1.35
June 14, 2026	$1.50	50,000	50,000	1.45
August 30, 2026	$1.50	1,000,000	1,000,000	1.66
March 29, 2028	$0.65	10,000	7,500	3.24
April 26, 2028	$0.65	100,000	75,000	3.32
November 1, 2028	$0.65	100,000	50,000	3.84
April 29, 2029	$0.35	15,000	3,750	4.33
	$1.31	3,840,000	3,751,250	1.48

Restricted share rights

The EIP authorizes the Board to grant RSRs, in its sole and absolute discretion, to any eligible employee or director. Each RSR provides the recipient with the right to receive common shares of the Company for no additional consideration as compensation for past services or as an incentive for future services. The terms, including the vesting period of the RSRs, are determined at the sole discretion of the Board.

During the year ended September 30, 2021, the Company granted 927,500 RSRs to directors, officers, consultants, and advisors valued at $695,625. These RSRs vest as follows: 10% on the grant date and 15% every six months thereafter. During the period ended December 31, 2024, the Company recorded $nil (September 30, 2024 - $25,074) in share-based compensation related to the vesting of these RSRs. During the period ended December 31, 2024, nil (December 31, 2023 – 278,250) RSRs vested and were converted into common shares.

(Expressed in Canadian Dollars)

13. Key Management Compensation and Related Party Transactions

During the period ended December 31, 2024 and 2023, the Company incurred the following amounts charged by officers and directors (being key management personnel) and companies controlled and/or owned by officers and directors of the Company in addition to the related party transactions disclosed elsewhere in these condensed interim consolidated financial statements:

	December 31, 2024 $	December 31, 2023 $
Consulting fees	161,234	125,250
Share-based compensation	-	7,349
Wages and benefits	-	106,250
	161,234	**238,849**

The Company has entered into a lease agreement with BC Green, as described in Note 8.

As at December 31, 2024, there was $1,402,061 (September 30, 2024 - $1,185,268) owing to key management, which is included indue to related parties. The amounts are unsecured, without interest and due on demand.

During the period ended December 31, 2023 the Company received $1,000,000 in loan proceeds from a company controlled by a director (Note 11). As at December 31, 2024, the Company owed $1,000,000 (September 30, 2024 - $1,000,000) in principal in relation to this loan.

14. Financial Instruments

a) Categories of financial instruments

The classification of the financial instruments, as well as their carrying values, is shown below:

Fair value

The fair value recorded on initial recognition of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

The Company's financial instruments consist of cash and cash equivalents, trade receivables, accounts payable and accrued liabilities, due to related parties, lease liabilities and loans payable. The fair values of these financial instruments approximate their carrying values due to the short-term nature of these instruments, with the exception of lease liabilities and loans payable which are measured using Level 2 inputs.

b) Management of financial risks

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of these risks. These risks arise from the normal course of operations and all transactions undertaken are to support the Company's ability to continue as a going concern. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest rate risk is limited to potential decreases in the interest rate offered on cash held with chartered Canadian financial institutions. The Company considers this risk to be limited, as it holds no assets or liabilities subject to variable rates of interest.

(Expressed in Canadian Dollars)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and trade receivables. The Company limits exposure by maintaining its cash with major Canadian commercial banks and credit unions.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they become due. The Company is reliant upon equity issuances and loans as its main sources of cash. The Company manages liquidity risk by maintaining an adequate level of cash to meet its ongoing obligations. The Company continuously reviews its actual expenditures, forecasts cash flows and matches the maturity dates of its cash to capital and operating needs. All of the Company's existing commitments are budgeted and funded as at the date of the condensed interim consolidated financial statements. All financial liabilities have contractual maturities of less than one year and are subject to normal trade terms with the exception of the Company's lease liabilities, which matures based on the lease agreement, and loans payable, which have terms ranging from one and a half to three years.

Currency risk

The Company is not exposed to financial risk related to the fluctuation of foreign exchange rates.

15. Capital Disclosure

The capital structure of the Company consists of equity attributable to common shareholders comprising share capital, reserves, and deficit. The Company's objectives when managing capital are to: (i) preserve capital; (ii) obtain the best available net return; and (iii) maintain liquidity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital restrictions. There have been no changes in the Company's capital management during the period ended December 31, 2024.

16. Segment Reporting

For the period ended December 31, 2024, the Company has one reportable operating segment, being that of farming, processing and distribution of raw mushroom biomass, mushroom extracts, manufacturing of drug products, and mushroom supplements. The Company's non-current assets at December 31, 2024 are all in Canada.

17. Commitments

The Company has lease commitments for the Princeton Facilities (Note 8). Cash commitments for minimum lease payments in relation to the facility leases as at December 31, 2024, are payable as follows:

	$
Within 1 year	24,500
Between 1 year and 5 years	-
	24,500

18. Events after the Reporting Period

Subsequent to December 31, 2024, the Company:

- Issued 1,316,668 units pursuant to private placements for gross proceeds of $395,000. Each unit is composed of one common share and one-half common share purchase warrant. Each warrant is exercisable at $0.40 per warrant for a period of two years (note 13).
- Settled debt of $98,126 through issuance of 458,145 common shares.
- Settled $903,951 in the form of debt forgiveness for amounts due to related parties (Note 13).