Consolidated Financial Statements of

MOUNTAIN VALLEY MD HOLDINGS INC.

As at March 31, 2023 and 2022

(Expressed in thousands of Canadian Dollars)

Independent auditor's report

To the Shareholders of Mountain Valley MD Holdings Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Mountain Valley MD Holdings Inc. and its subsidiaries (together, the Company) as at March 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at March 31, 2023 and 2022;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended March 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Assessment of impairment indicators of intangible assets *Refer to note 2 – Basis of presentation and note 3 – Significant accounting policies to the consolidated financial statements.* The Company's total intangible assets as at March 31, 2023 amounted to $4.2 million. At each statement of financial position reporting date, the carrying amounts of the intangible assets are reviewed by management to determine whether there is any indication that those intangible assets are impaired. Judgment is required by management in assessing whether certain factors would be considered an indicator of impairment. Management considers both internal and external information to determine whether there is an indicator of impairment present and, accordingly, whether impairment testing is required. The information management considers in assessing whether there is an indicator of impairment includes, but is not limited to, market and economic conditions, results of research and development activities and the Company's market capitalization. As at March 31, 2023, management decided to no longer pursue three of the Company's patents based on the results of research and development activities, and wrote down its value to $nil. Management recorded a write-off of $46,000 related to these assets. No additional impairment	Our approach to addressing the matter included the following procedures, among others: • Evaluated the reasonableness of management's assessment of impairment indicators, which included the following: – Assessed the completeness of external and internal information that was considered as indicators of impairment by management. – Assessed market and economic conditions by considering economic analysts' forecasts and other independent data sources. – Assessed results of research and development activities related to intangible assets. – Assessed whether there were significant declines in the Company's market capitalization, which may indicate a decline in value of the Company's intangible assets. – Agreed the amount written off related to three of the Company's patents against the historic capitalized acquisition costs.

Key audit matter	How our audit addressed the key audit matter
indicators were identified by management as at March 31, 2023. We considered this a key audit matter due to (i) the significance of the intangible assets balance and (ii) the judgment by management in assessing any indicators of impairment, which led to subjectivity in performing procedures to test management's assessment.	

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
July 12, 2023

MOUNTAIN VALLEY MD HOLDINGS INC.
Consolidated Statements of Financial Position
(Expressed in thousands of Canadian Dollars)

	Note	March 31, 2023	March 31, 2022
		$	$
Current Assets			
Cash and cash equivalents		9,714	14,221
HST recoverable		95	87
Purchase consideration receivable	6	74	-
Prepaids, deposits and other	4	978	605
Note receivable		-	112
Right of use asset		7	46
		10,868	15,071
Long-term Assets			
Intangible assets	5	4,185	4,518
Equity investments	7	1,545	5,028
Investment in associate	6	-	426
Capital assets	9	171	227
		5,901	10,199
		16,769	25,270
Current Liabilities			
Accounts payable and accrued liabilities		336	238
Deferred revenue	8	140	140
Corporate taxes payable	7	109	-
Lease liability		6	38
		591	416
Long-term Liabilities			
Lease liability		-	6
		591	422
Shareholders' Equity			
Share capital	10	52,203	52,174
Class B shares	7	-	2,399
Contributed surplus	10	4,942	4,597
Warrants		3,152	3,152
Deficit		(44,119)	(37,474)
		16,178	24,848
		16,769	25,270

Approved on behalf of the Board:

/s/ *"Dennis Hancock"* /s/ *"Kevin Puloski"*

See accompanying notes to the consolidated financial statements.

MOUNTAIN VALLEY MD HOLDINGS INC.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in thousands of Canadian Dollars, except for per share amounts)

	Note	Year ended, March 31, 2023	Year ended, March 31, 2022
		$	$
Revenue		-	110
Cost of sales		-	40
Gross margin		-	70
Expenses			
General and administrative	11	3,289	3,537
Research and development		1,471	2,209
Stock based compensation	11	345	3,615
Amortization of intangible assets	5	352	349
Impairment of intangible asset	5	46	-
Depreciation of capital assets and right-of use assets		94	102
Net loss before tax and other items		5,597	9,742
Other items			
Gain from equity accounted associates		-	(336)
Fair value loss on equity investments	7	2,003	355
Interest income and other		(264)	(47)
Interest earned on note receivable		(3)	(5)
		1,736	(33)
Net loss before tax		7,333	9,709
Income tax expense	7	109	-
Net loss		7,442	9,709
Basic and diluted loss per share		(0.02)	(0.03)
Weighted average number of shares outstanding		329,652,636	329,236,773

See accompanying notes to the consolidated financial statements.

MOUNTAIN VALLEY MD HOLDINGS INC.
Consolidated Statements of Changes in Equity
(Expressed in thousands of Canadian Dollars, except for per share amounts)

	Class B Non-voting Number of Shares	Class B Non-voting Share Capital $	Common Shares Number of shares	Common Shares Share capital $	Contributed surplus $	Warrants $	Deficit $	Total Shareholders' Equity $
Balance at March 31, 2021	50,056,229	2,399	327,837,591	51,706	1,006	3,152	(27,765)	30,498
Exercise of stock options	-	-	600,000	68	(24)	-	-	44
Issuance of stock options	-	-	-	-	3,615	-	-	3,615
Shares for services	-	-	258,958	50	-	-	-	50
Exercise of warrants	-	-	885,000	350	-	-	-	350
Net loss	-	-	-	-	-	-	(9,709)	(9,709)
Balance at March 31, 2022	50,056,229	2,399	329,581,549	52,174	4,597	3,152	(37,474)	24,848
Issuance of stock options	-	-	-	-	345	-	-	345
Redemption of Class B shares	(50,056,229)	(2,399)	-	-	-	-	797	(1,602)
Shares issued for services	-	-	71,875	29	-	-	-	29
Net loss	-	-	-	-	-	-	(7,442)	(7,442)
Balance at March 31, 2023	-	-	329,653,424	52,203	4,942	3,152	(44,119)	16,178

See accompanying notes to the consolidated financial statements.

MOUNTAIN VALLEY MD HOLDINGS INC.
Consolidated Statements of Cash flows
(Expressed in thousands of Canadian Dollars)

	Note	Year ended, March 31, 2023	Year ended, March 31, 2022
		$	$
OPERATING ACTIVITIES			
Net loss		(7,442)	(9,709)
Adjustments for:			
Common shares issued for consulting services		29	50
Corporate tax expense		109	-
Fair value loss on equity investments	6	2,003	355
Gain from equity accounted associates		-	(336)
Impairment of intangible asset	5	46	-
Stock based compensation	8	345	3,615
Amortization of intangible assets	5	352	349
Depreciation of capital assets and right-of use assets		93	102
Interest earned on convertible note		(3)	(5)
		(4,468)	(5,579)
Changes in non-cash operating working capital			
HST receivable		(8)	148
Prepaid expenses and deposits		(373)	533
Deferred revenue		-	(110)
Lease liability		-	(40)
Accounts payable		59	(538)
Net cash used in operating activities:		(4,790)	(5,586)
INVESTING ACTIVITIES			
Proceeds from sale of Class B investments	7	1,798	-
Purchase of equity investment	7	(203)	-
Cash received from sale of equipment		2	-
Cash received from sale of investment in associate	6	352	-
Cash paid to acquire intellectual property	5	(64)	(98)
Net cash provided by (used in) investing activities:		1,885	(98)
FINANCING ACTIVITIES			
Redemption of Class B shares less fees		(1,602)	-
Exercise of stock options		-	45
Exercise of warrants		-	350
Net cash received (used) from financing activities:		(1,602)	395
Net change in cash		(4,507)	(5,289)
Cash and cash equivalents - Beginning		14,221	19,510
Cash and cash equivalents - Ending		9,714	14,221

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS

Mountain Valley MD Holdings Inc. ("MVMDH" or the "Company"), was incorporated under the provisions of the British Columbia Business Corporations Act on March 8, 2005. The Company is building a world-class health and wellness organization centered around the implementation of its patented Quicksome™ oral drug formulation and delivery technologies to innovate industry leading products that are sought out globally.

The Company's common shares trade on the Canadian Securities Exchange under the ticker symbol "MVMD."

The address of the Company's registered and records office is 1100 – 1111 Melville Street, Vancouver, BC V6E 3V6 and the principal place of business is 260 Edgeley Boulevard, Unit 4, Vaughan, Ontario, Canada, L4K 3Y4.

2. BASIS OF PRESENTATION

a) Statement of compliance

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

The Company's board of directors approved the release of these consolidated financial statements on July 12, 2023.

b) Basis of measurement

In preparing its consolidated financial statements, the Company makes judgments in applying its accounting policies. The judgments that have the most significant effect on the amounts recognized in the consolidated financial statements are outlined below in section c). In addition, the preparation of consolidated financial statements in conformity with IFRS requires the use of estimates that affect the amounts reported and disclosed in the consolidated financial statements and related notes. These estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the consolidated financial statements. Information about assumptions and other sources of estimation uncertainty as at March 31, 2023 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year are outlined below in section c).

c) Areas of judgment and estimation uncertainty

Intangible assets

Definite life intangible assets are carried at historical cost and amortized over their useful life.

At each statement of financial position reporting date, the carrying amounts of the intangible assets are reviewed by management to determine whether there is any indication that those intangible assets are impaired. Judgment is required by management in assessing whether certain factors would be considered an indicator of impairment. Management considers both internal and external information to determine whether there is an indicator of impairment present and accordingly, whether impairment testing is required. The information management considers in assessing whether there is an indicator of impairment includes, but is not limited to, market and economic conditions, results of research and development activities and the Company's market capitalization.

…. Note 2. BASIS OF PREPARATION (Continued)

As of March 31, 2023, management decided to no longer pursue three of the Company's patents based on the results of research and development activities and wrote down its value to $nil. Management recorded a write-off of $46 related to these assets. No additional impairment indicators were identified by management as at March 31, 2023.

Fair value of privately held equity investments

The Company holds privately held investments which are measured at fair value. To determine the fair value of privately held equity investments the Company will rely on recently completed equity transactions, or other methods of implied fair value, in determining the fair value of the investment. For privately held investments where recent equity transactions are not available, the Company uses valuation methods based on recently completed equity issuances.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

MVMDH has one subsidiary, Mountain Valley MD Inc ("MVMD"), a Company incorporated under the laws of the province of BC on October 28, 2018. MVMD has three wholly owned subsidiaries, Colverde MD S.A.S., a corporation incorporated under the laws of Colombia and MVMD (Colombia) Inc, a corporation incorporated under the laws of the province of Ontario on April 11, 2019, and Mountain Valley MD USA, Inc., a company incorporated under the laws of the state of Delaware on July 6, 2022.

Subsidiaries are entities that are controlled, either directly or indirectly. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when the Company has existing rights that give it the ability to direct the activities that significantly affect the investee's returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital.

All transactions and balances between the Company and its subsidiaries are eliminated on consolidation. Amounts reported in the financial statements of the subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company.

b) Foreign currencies

The Company assesses functional currency on an entity-by-entity basis based on the related fact pattern. However, the presentation currency used in these consolidated financial statements is determined at management's discretion.

The functional currency of MVMDH, and the presentation currency applicable to these consolidated financial statements, is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of the exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date. Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The Company has determined that the functional currency of its wholly owned subsidiaries is the United States dollar.

c) Cash and cash equivalents

Cash and cash equivalents consist of cash deposits with banks and highly liquid investments that are readily convertible to cash with maturities of three months or less when purchased.

…. Note 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Deferred revenue

Amounts received in advance of the performance of services are classified as deferred revenue.

e) Capital assets

Lab equipment and leasehold improvements are stated at cost, less accumulated depreciation. Depreciation is provided for leasehold improvements using the straight-line method over 5 years, and lab equipment is depreciated on a 20% declining balance.

f) Intangible assets

Patents are stated at their historical cost and amortized on a straight-line basis over their expected useful lives, which is fifteen years. The Company's cannabis licenses are stated at amortized cost less impairment.

g) Impairment of non-financial assets

At each statement of financial position reporting date the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value to their present value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating units to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of impairment is recognized immediately in profit or loss.

h) Share-based payment transactions

The Company's stock option plan allows directors, officers, employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each statement of financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

…. Note 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Provisions

Provisions are recognized in the consolidated statement of financial position when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefit will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

j) Revenue recognition

The Company earns revenue through formulation work performed for customers. Revenue from contracts with customers, is based upon the principle that revenue is recognized when control of a good or service is transferred to a customer. The Company considers that control has passed when there is a present obligation to pay, physical possession, and when legal title and the risks and rewards of ownership have passed to the customer. This is typically achieved when a customer is satisfied and accepts the formulation work performed.

k) Loss per share

The Company presents the basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. In the Company's case, diluted loss per share is the same as basic loss per share as the effects of including all outstanding options and warrants would be anti-dilutive.

l) Financial instruments

The following table summarizes the classification of the Company's financial instruments under IFRS 9 Financial Instruments ("IFRS 9"):

Cash and cash equivalents	Amortized cost
Note receivable	Amortized cost
Purchase consideration receivable	Amortized cost
Equity investments	Fair value through profit or loss
Accounts payable and accrued liabilities	Amortized cost

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 Valuation techniques based on inputs, other than quoted prices included in 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 Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

…. Note 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets

The classification of financial assets is based on the Company's assessment of its business model for holding financial assets and the contractual terms of the cash flows. The classification categories are as follows:

- Financial assets measured at amortized cost: assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Financial assets at fair value through other comprehensive income ("FVOCI"): assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Financial assets at fair value through profit or loss ("FVTPL"): assets that do not meet the criteria for amortized cost or FVOCI.

Financial assets are initially measured a fair value and are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred.

Financial liabilities

The classification of financial liabilities is determined by the Company at initial recognition. The classification categories are as follows:

- Financial liabilities measured at amortized cost: financial liabilities initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in the consolidated statements of loss and comprehensive loss.

- Financial liabilities measured at FVTPL: financial liabilities measured at fair value with changes in fair value and interest expense recognized in the consolidated statement of loss and comprehensive loss.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of loss.

Impairment of financial assets

At each reporting date, the Company assesses whether a financial asset or group of financial assets is impaired under the expected credit loss ("ECL") model. Loss allowances are measured based on (i) ECLs that result from possible default events within the 12 months after the reporting date ("12-month ECL"), or (ii) ECLs that result from all possible default events over the expected life of a financial instrument ("lifetime ECLs").

The amortized cost of the financial asset is reduced by impairment losses at an amount equal to the lifetime expected credit losses. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amounts of the assets and the loss is recognized in the consolidated statements of loss and comprehensive loss. As at March 31, 2023, there are no ECLs recorded in the financial statements.

…. Note 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of taxable income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

n) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial asset or liability. The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issuance of new equity instruments are shown in equity as a deduction from the proceeds of issuance.

Options or warrants issued at the same time as the issuance of common shares are recorded at fair value based on the residual method. Proceeds are first allocated to the shares according to the fair value of the common shares and any residual of the proceeds is allocated to the options or warrants.

o) New and revised standards issued

None of the new and revised standards and interpretations which have been issued had a significant effect on the consolidated financial statements of the Company.

p) New and revised standards issued but not yet effective

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

(Expressed in thousands of Canadian Dollars)

4. PREPAID, DEPOSITS AND OTHER

	March 31, 2023	March 31, 2022
	$	$
Prepaid	143	587
Inventory deposit	817	-
Lease deposits	18	18
	978	605

5. INTANGIBLE ASSETS

On December 20, 2019, Mountain Valley MD Inc. entered into an intellectual property asset purchase agreement with a private Delaware corporation in the business of developing, manufacturing and licensing desiccated liposomes. The Company acquired a portfolio of patents, and trademarks. Management determined all the value is attributable to the patents.

The Company's intellectual property consists of the following:

	$
Cost	
As at March 31, 2022	5,258
Additions	64
Impairment	(55)
As at March 31, 2023	5,267
Accumulated amortization	
As at March 31, 2022	739
Depreciation expense	352
Impairment	(9)
As at March 31, 2023	1,082
Carrying amounts:	
As at March 31, 2022	4,519
As at March 31, 2023	4,185

a) The Company recorded additions of $64 (2022: $98) related to direct costs to acquire new patents.

b) The Company recorded $352 of depreciation during the year (2022: $349) based on the estimated useful life of the portfolio of patents.

c) The Company decided to no longer pursue three of its patents and wrote down its value to $nil. Management recorded an impairment of $46 related to these assets. No additional impairment indicators were identified by management as at March 31, 2023

6. INVESTMENT IN ASSOCIATE

On April 4, 2019, the Company entered into a subscription and share purchase agreement with Sativa Nativa SAS ("Sativa Nativa"). Sativa Nativa is a company incorporated in the Republic of Columbia and is a cultivator of cannabis.

On May 31, 2022, the Company signed a share purchase agreement to dispose of its shareholdings in Sativa Nativa SAS for $426. The Company received $366 on July 5, 2022. The remaining receivable of $74 is recorded as purchase consideration receivable.

(Expressed in thousands of Canadian Dollars)

7. EQUITY INVESTMENTS

The following summarizes the Company's investments at March 31, 2023 and 2022:

	March 31, 2022	Additions	Disposals	Change in fair value	March 31, 2023
	$	$	$	$	$
Sixth Wave Innovations Inc. (a)	55	-	-	(50)	5
Palisades Goldcorp Ltd. (b)	1,806	-	(799)	(1,007)	-
Nevada King Gold Corp. (b)	1,841	-	(941)	(900)	-
Mexican Gold Mining Corp. (b)	18	-	(8)	(10)	-
Radio Fuels Energy Corp. (b)	86	-	(39)	(47)	-
Goldspot Discoveries Corp. (b)	-	36	(15)	(21)	-
Circadian Wellness Corp. (c)	1,222	-	-	-	1,222
Agrarius Corp. (d)	-	203	-	-	203
Agroresults Inc. (e)	-	115	-	-	115
	5,028	354	(1,802)	(2,035)	1,545

a) <u>Sixth Wave Innovations Inc.</u>

As at March 31, 2023, management re-valued the investment to $5 (2022: $55) based on Level 1 input under the IFRS 13 fair value hierarchy using the trading price of Sixth Wave Innovations Inc. as at March 31, 2023.

b) <u>Class B investments</u>

On November 18, 2019, the Company disposed of its shares of Desert Hawk Resources Inc. to Casino Gold Corp. Casino Gold Corp. issued 10,000,000 shares to the Company which represented approximately 5.8% of Casino Gold's issued and outstanding shares.

In January 2020, Casino Gold Corp completed a plan of arrangement in which Casino Gold Corp. was split into two private companies. On October 14, 2021, Palisades Goldcorp Ltd. completed a plan of arrangement to distribute equity shares to shareholders of Palisades Goldcorp Ltd. The Company then owned the following equity investments, referred to as (the "Class B investments"):

- 4,091,325 common shares of Nevada King Gold Corp. (formerly Nevada King Mining Ltd, and formerly 1234721 B.C. Ltd.)
- 799,000 common shares of Palisade Goldcorp Ltd.
- 443,147 common shares of Mexican Gold Mining Corp.
- 326,339 common shares of Radio Fuels Energy Corp.
- 56,735 common shares of Goldspot Discoveries Corp.

Prior to the amalgamation, shareholders of the Company (formerly, Meadow Bay Gold Corporation) received one additional Class B share of the Company for each common share held.

During the year ended March 31, 2023, the Company sold its Class B investments for gross proceeds of $1,798. The Company accrued estimated taxes of $109. In December 2022, the Company redeemed all Class B shares.

…. Note 7. EQUITY INVESTMENTS (Continued)

c) Circadian Wellness Corp.

The Company owns 1,222,222 shares (post 3:1 share split on May 27, 2021) of Circadian Wellness Corp. a private Ontario corporation focusing on mushroom farming, extraction, clinical research and development, and end-user consumer health and wellness products and retreats.

As at March 31, 2022, management fair valued Circadian Wellness Corp. using Level 3 inputs under the IFRS 13 fair value hierarchy. The fair value was based on the most recent private financing done by Circadian Wellness Corp.

d) Agrarius Corp.

On October 4, 2022, the Company made an equity investment of $203 in Agrarius Corp, a private US corporation.

As at March 31, 2023, management fair valued Agrarius Corp. using Level 3 inputs under the IFRS 13 fair value hierarchy. The fair value was based on the purchase price of the shares in Agrarius Corp., and management has determined no subsequent change in fair value.

e) Agroresults Inc.

On November 4, 2022, the Company converted the note receivable of $115 into 1072 common shares of Agroresults Inc. a private Canadian company, and majority owner of Agrarius Corp. This represents 1% ownership of Agroresults Inc.

As at March 31, 2023, management fair valued Agroresults Inc. using Level 3 inputs under the IFRS 13 fair value hierarchy. The fair value was based on the conversion price of the shares.

8. DEFERRED REVENUE

On February 25, 2021, the Company entered into a commercial license agreement with Circadian Wellness Corp. (a privately held Ontario Corporation). The license agreement is based on applying the Company's Quicksome™ technology to mushroom nutraceutical products in consideration of ongoing product royalties and an initial advance payment in the amount of $250, made up of $200 cash and $50 of equity shares of the privately held corporation.

During the year, the Company applied $nil (2022: $110) of formulation work to revenue. The Company also recognized $nil (2022: $40) of labor and expenses associated with this revenue charged to cost of sales.

(Expressed in thousands of Canadian Dollars)

9. CAPITAL ASSETS

	Office and Lab Equipment	Leasehold Improvements	Total
	$	$	$
Cost			
At March 31, 2022	224	109	333
Additions	2	-	2
Disposals	(5)	-	(5)
At March 31, 2023	221	109	330
Accumulated amortization			
At March 31, 2022	62	44	106
Depreciation expense	32	22	54
Disposals	(1)	-	(1)
At March 31, 2023	93	66	159
Carrying amounts:			
At March 31, 2022	162	65	227
At March 31, 2023	128	43	171

10. SHARE CAPITAL

a) Share Capital

Authorized

The Company has authorized share capital of:

- Unlimited Common Shares without par value.
- 50,056,229 Class B Non-Voting shares (Note 7(b))

Issued and outstanding

The Company has issued share capital of 329,581,549 Common Shares and 50,056,229 Non-Voting Class B shares.

Share issuance from April 1, 2021 to March 31, 2022

The Company issued 600,000 shares in regard to the exercise of stock options. The Company received $44 in gross proceeds.

The Company issued 885,000 shares in regard to the exercise of warrants. The Company received $350 in gross proceeds.

The Company issued 258,958 shares with a fair value of $50 for consulting services.

Share issuance from April 1, 2022 to March 31, 2023

The Company issued 71,875 shares to a director and officer of the Company for consulting services at a deemed price of $0.40 for a value of $29.

(Expressed in thousands of Canadian Dollars)

…. Note 10. SHARE CAPITAL (Continued)

b) Stock Options

The Company has a share option plan, under which the Board of Directors is authorized to grant options to employees, directors, officers and consultants, enabling them to acquire up to 10% of the issued and outstanding share capital of the Company. The exercise price of each option is based on the market price of the Company's share as calculated on the date of grant. The options can be granted for a maximum term of five years. Options granted to investor relations consultants are subject to vesting provisions, as established by regulatory authorities, over a twelve-month period, with no more than ¼ vesting during any three-month period. Vesting provisions for other options are determined by the Company's Board of Directors.

On July 14, 2021, the Company granted 3,690,000 stock options at $0.27 to officers, directors and consultants of the Company. The options are exercisable for a period of five (5) years from the date of grant. The options vest over a one (1) year period.

On August 1, 2021, the Company granted 1,000,000 stock options at $0.365 to an officer of the Company. The options are exercisable for a period of five (5) years from the date of grant. The options vest over a one (1) year period.

On December 13, 2021, the Company granted 80,000 stock options at $0.135 to a consultant of the Company. The options are exercisable for a period of five (5) years from the date of grant. The options vest over a one (1) year period.

On January 25, 2022, the Company granted 2,525,000 stock options at $0.22 to officers, directors and consultants of the Company. The options are exercisable for a period of five (5) years from the date of grant. The options vest over a one (1) year period.

On April 7, 2022, the Company granted 50,000 stock options at $0.13 to a consultant of the Company. The options are exercisable for a period of five (5) years from the date of grant. The options vest over a one (1) year period.

On March 6, 2023, the Company granted 2,970,000 stock options at $0.05 to officers, directors and consultants of the Company. The options are exercisable for a period of five (5) years from the date of grant. The options vest over a one (1) year period.

The table below summarizes assumptions used by the Company in calculating the value of stock options based on the Black-Scholes Model:

	March 31, 2023	March 31, 2022
Average share price	$0.05	$0.26
Expected dividend yield	$nil	$nil
Volatility	96%	96%
Expected life (years)	5	5
Forfeiture rate	10%	10%
Risk-free rate	4.22%	0.76%

Volatility was estimated using the average comparable companies in the industry that have trading history and volatility history.

(Expressed in thousands of Canadian Dollars)

…. Note 10. SHARE CAPITAL (Continued)

The continuity of the Company's stock options is as follows:

	Outstanding Options	Weighted Average Exercise Price
		$
Balance at March 31, 2021	12,798,500	0.49
Issued	7,295,000	0.29
Forfeited	(200,000)	1.45
Cancelled	(2,590,000)	2.04
Excercised	(600,000)	0.07
Balance at March 31, 2022	16,703,500	0.16
Issued	3,020,000	0.05
Forfeited	(80,000)	0.14
Balance at March 31, 2023	19,643,500	0.15

The following table summarizes the stock options outstanding at March 31, 2023:

Expiry Date	Number	Weighted Average Exercise Price	Options exercisable
		$	
March 13, 2025	3,785,000	0.07	3,785,000
May 1, 2025	250,000	0.075	250,000
May 3, 2025	4,288,500	0.05	4,288,500
December 1, 2025	135,000	0.095	135,000
December 14, 2025	1,000,000	0.29	1,000,000
July 14, 2026	3,640,000	0.27	3,640,000
August 1, 2026	1,000,000	0.365	1,000,000
January 25, 2027	2,525,000	0.22	2,525,000
April 7, 2027	50,000	0.13	25,000
March 6, 2028	2,970,000	0.05	594,000
	19,643,500	0.15	16,648,500

c) Warrants

The continuity of the Company's share purchase warrants is as follows:

	Outstanding Warrants	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price
			$
March 31, 2022	14,127,763		0.44
Expired	(13,252,763)		0.37
Balance at March 31, 2023	875,000	0.28	0.48

(Expressed in thousands of Canadian Dollars)

…. Note 10. SHARE CAPITAL (Continued)

The following table summarizes the share purchase warrants outstanding at March 31, 2023:

Expiry Date	Number	Weighted Average Exercise Price
		$
July 11, 2023	875,000	0.48
	875,000	0.48

d) Restricted Share Units

Pursuant to the Company's Restricted Share Unit (“RSU”) Incentive Plan approved by the board of directors of the Company on January 20, 2022, restricted stock units to acquire common shares of the Company may be granted to specified service providers of the Company in accordance with the terms and conditions of the plan. Upon vesting, each RSU entitles the participant to receive one common share, provided that the participant is continuously employed with or providing services to the Company. RSUs track the value of the underlying common shares, but do not entitle the recipient to the underlying common shares until such RSUs vest, nor do they entitle a holder to exercise voting rights or any other rights attached to ownership or control of the common shares, until the RSU vests and the RSU participant receives common shares.

On January 25, 2022, the Company issued 875,000 RSU’s to directors, officers, and consultants of the Company that vest over 1 year. At March 31, 2023, there were nil RSUs outstanding (March 31, 2021 – nil). During the year ended March 31, 2023 the Company recorded $Nil (March 31, 2022 - $Nil) as stock-based compensation for the fair value of the RSUs issued.

11. RELATED PARTY TRANSACTIONS

Key management consists of personnel having the authority and responsibility for planning, directing and controlling the activities of the Company, which are the directors and executive officers of the Company:

Year ended March 31,	2023	2022
	$	$
Consulting fees	599	553
Director fees	22	-
Stock based compensation	207	2,227
	828	2,780

(Expressed in thousands of Canadian Dollars)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments include cash and cash equivalents, purchase consideration receivable, accounts payable and accrued liabilities, and lease liability. The carrying amounts of these financial instruments are a reasonable estimate of their fair values based on their current nature and current market rates for similar financial instruments.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of 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 and 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.

As at March 31, 2023, the Company did not have any financial assets and liabilities which are measured at fair value, other than equity investments. There were no transfers between Level 1, 2 or 3 during the year ended March 31, 2023, other than the investment in Nevada King Mining, which transferred from Level 2 to Level 1 as a result of becoming publicly listed. This investment was sold during the year.

a) Credit risk

Credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. Credit risk arises from cash and cash equivalents. The amount of credit risk related to cash and cash equivalents is considered insignificant as the Company's funds are held with a large Canadian bank. The Company obtains financial information from the creditor to determine the carrying amount of the note receivable.

The credit risk for the cash and cash equivalent is monitored quarterly, and any change is reflected as an adjustment through expected credit loss.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. The Company monitors and reviews current and future cash requirements and matches the maturity profile of financial assets and liabilities.

As at March 31, 2023, the Company's financial liabilities have contractual maturities as summarized below:

	0-12 months	1-2 years	Due within 2-3 years
	$	$	$
Accounts payable and accrued liabilities	336	-	-
Lease liability	6	-	-
Total	342	-	-

c) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices and is comprised of currency risk, interest rate risk, and other price risk.

<u>Sensitivity analysis</u>

The Company has completed a sensitivity analysis to estimate the impact on comprehensive earnings which a change in the equity investments would have on the Company during the year ended March 31, 2023. As a result, a 10% change in the equity investments will translate to a $32 (March 31, 2022, $381) gain or loss from equity investments.

(Expressed in thousands of Canadian Dollars)

13. SEGMENT INFORMATION

Management has determined that the Company has one reportable operating segment, being research and development of its delivery, solubility, and adjuvant technologies. This segment accounts for all of the Company's operating expenses. Determination of the operating segment was based on the level of financial reporting to the Company's chief decision makers.

All of the Company's fixed assets are located in Canada. The Company's revenue in the year ended March 31, 2022 was derived from Canada.

14. CAPITAL MANAGEMENT

The Company manages its cash, common shares, warrants and share purchase options as capital. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

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, acquire or dispose of assets or adjust the amount of cash held.

15. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory tax rate of 27% (2022: 27%) to the effective tax rate is as follows:

As at March 31, 2023, the Company has unused non-capital loss carry forwards of approximately $15,058 (2022: $10,643) that expire between 2037 and 2043, available for deduction against future years taxable income. As future taxable profits of the Company are uncertain, no deferred tax asset has been recognized.

	2023	2022
Deferred tax assets	$	$
Net loss before recovery of income taxes	7,333	9,709
Expected income tax (recovery) expense	(1,978)	(2,632)
Non-deductible expenditures for tax	107	987
Non-deductible portion of capital items and rate differences	402	69
Share issuance costs	-	-
Change in tax benefits not recognized	1,578	1,576
Income tax expense	109	-

The significant components of the Company's net deferred tax assets and liabilities are as follows:

	2023	2022
	$	$
Capital assets	159	106
Intellectual property	1,091	739
Equity investments	(647)	(512)
Investment in associates	1,643	8,300
Non capital losses carried forward	15,058	10,643
Financing costs and other	10,994	2,841
	28,298	22,117