



**Unaudited Interim Condensed Consolidated Financial Statements of
MOUNTAIN VALLEY MD HOLDINGS INC.**

For the three and nine month periods ended December 31, 2023 and 2022

(Expressed in thousands of Canadian Dollars)

MOUNTAIN VALLEY MD HOLDINGS INC.

Interim Condensed Consolidated Statements of Financial Position

(Expressed in thousands of Canadian Dollars)

(Unaudited)

		December 31,	March 31,
	Note	2023	2023
Current Assets			
Cash and cash equivalents		6,857	9,714
HST recoverable		51	95
Purchase consideration receivable	3	74	74
Prepays, deposits and other	4	1,273	978
Right of use asset		-	7
		<u>8,255</u>	<u>10,868</u>
Long-term Assets			
Intangible assets	5	112	4,185
Investments in equity instruments	6	1,540	1,545
Capital assets	8	632	171
		<u>2,284</u>	<u>5,901</u>
Total Assets		<u>10,539</u>	<u>16,769</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		104	336
Deferred revenue	7	80	140
Corporate taxes payable		-	109
Lease liability		-	6
		<u>184</u>	<u>591</u>
Total Liabilities		184	591
Shareholders' Equity			
Share capital	9	52,203	52,203
Contributed surplus	9	8,288	4,942
Warrants	9	-	3,152
Deficit		<u>(50,136)</u>	<u>(44,119)</u>
		<u>10,355</u>	<u>16,178</u>
		<u>10,539</u>	<u>16,769</u>

* Subsequent Events in Note 14

Approved on behalf of the Board:

See accompanying notes to the interim condensed consolidated financial statements.

MOUNTAIN VALLEY MD HOLDINGS INC.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

(Expressed in thousands of Canadian Dollars, except for per share amounts)

(Unaudited)

	Note	For the three month period ended		For the nine month period ended	
		December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Revenue	8	60	-	60	-
Expenses					
General and administrative		768	785	1,880	2,553
Research and development		123	274	164	972
Stock based compensation	9	49	28	194	265
Amortization of intangible assets	5	87	88	262	262
Impairment of intangible assets	5	3,818	-	3,818	-
Depreciation of capital assets and right-of use assets		12	22	42	70
		4,857	1,197	6,360	4,122
Net loss before other items		4,797	1,197	6,300	4,122
Other items					
Fair value loss on equity investments	6	5	8	5	1,998
Investment income and other		(70)	(104)	(196)	(184)
Interest earned on note receivable		-	-	-	(3)
		(65)	(96)	(191)	1,811
Net loss and comprehensive loss for the period before income tax expense (recovery)		4,732	1,101	6,109	5,933
Income tax expense (recovery)		-	109	(92)	109
Net Loss for the period		4,732	1,210	6,017	6,042
Basic and diluted loss per share		(0.01)	(0.00)	(0.02)	(0.02)
Weighted average number of shares outstanding		329,653,424	329,653,424	329,653,424	329,651,594

See accompanying notes to the interim condensed consolidated financial statements.

MOUNTAIN VALLEY MD HOLDINGS INC.

Interim Condensed Consolidated Statements of Changes in Equity
(Expressed in thousands of Canadian Dollars, except for per share amounts)
(Unaudited)

	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, 2022	50,056,229	2,399	329,581,549	52,174	4,597	3,152	(37,474)	24,848
Issuance of stock options	-	-	-	-	265	-	-	265
Redemption of Class B shares	(50,056,229)	(2,399)	-	-	-	-	797	(1,602)
Shares issued for services	-	-	71,875	29	-	-	-	29
Net loss for the period	-	-	-	-	-	-	(6,042)	(6,042)
Balance at December 31, 2022	-	-	329,653,424	52,203	4,862	3,152	(42,719)	17,498
Balance at March 31, 2023	-	-	329,653,424	52,203	4,942	3,152	(44,119)	16,178
Exercise of stock options	-	-	-	-	-	-	-	-
Issuance of stock options	-	-	-	-	194	-	-	194
Warrants expiry	-	-	-	-	3,152	(3,152)	-	-
Net loss for the period	-	-	-	-	-	-	(6,017)	(6,017)
Balance at December 31, 2023	-	-	329,653,424	52,203	8,288	-	(50,136)	10,355

See accompanying notes to the interim condensed consolidated financial statements.

MOUNTAIN VALLEY MD HOLDINGS INC.

Interim Condensed Consolidated Statements of Cash flows
(Expressed in thousands of Canadian Dollars)
(Unaudited)

		For the nine month period ended,	
		December 31,	
	Note	2023	2022
OPERATING ACTIVITIES			
Net loss for the period		(6,017)	(6,042)
Adjustments for:			
Common shares issued for consulting services		-	29
Income tax expense (recovery)		(109)	109
Fair value loss on equity investments	6	5	1,998
Stock based compensation	9	194	265
Impairment of intangible assets	5	3,818	-
Amortization of intangible assets	5	262	262
Depreciation of capital assets and right-of use		42	70
Interest earned on convertible note		-	(3)
		(1,805)	(3,312)
Changes in non-cash operating working capital			
HST receivable		44	2
Prepaid expenses and deposits		(294)	(256)
Deferred revenue	7	(60)	-
Accounts payable		(238)	(56)
Net cash used in operating activities:		(2,353)	(3,622)
INVESTING ACTIVITIES			
Proceeds from sale of Class B investments		-	1,798
Purchase of equity investment		-	(203)
Cash received from sale of equipment		-	4
Cash recived from sale of investment in associate		-	352
Cash paid to acquire intellectual property		(7)	(24)
Cash paid to acquire manufacturing equipment	8	(496)	-
Net cash used in investing activities:		(503)	1,927
FINANCING ACTIVITIES			
Redemption of Class B shares less taxes and fees		-	(1,602)
Net cash received (used) from/in financing activities:		-	(1,602)
Net change in cash		(2,857)	(3,297)
Cash and cash equivalents - Beginning of period		9,714	14,221
Cash and cash equivalents - End of period		6,857	10,924

See accompanying notes to the interim condensed consolidated financial statements.

MOUNTAIN VALLEY MD HOLDINGS INC.

Notes to the Interim Condensed Consolidated Financial Statements

Nine months ended December 31, 2023 and December 31, 2022

(Expressed in thousands of Canadian Dollars, except for per share amounts

(Unaudited)

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 a biotech company focused on advancing solutions to optimize human, animal, and plant health.

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, Concord, Ontario, Canada, L4K 3Y4.

2. BASIS OF PRESENTATION

a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”). Therefore, these interim condensed consolidated financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended March 31, 2023, which have been prepared in accordance with IFRS.

The Company’s board of directors approved the release of these interim condensed consolidated financial statements on February 28, 2024.

b) Basis of measurement

In preparing the interim condensed 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 December 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

The preparation of the consolidated financial statements in conformity with IFRS requires the use of judgments and/or estimates that affect the amounts reported and disclosed in the consolidated financial statements and related notes. These judgments and 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.

In preparation of the interim condensed consolidated financial statements, the significant estimates and judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended March 31, 2023. During the current period the Company recorded an impairment loss and accordingly the following are new estimates and judgements.

Impairment

The determination of long-lived asset impairment requires significant estimates and assumptions to determine the recoverable amount. The recoverable amount is the higher of the fair value less cost of disposal

MOUNTAIN VALLEY MD HOLDINGS INC.

Notes to the Interim Condensed Consolidated Financial Statements

Nine months ended December 31, 2023 and December 31, 2022

(Expressed in thousands of Canadian Dollars, except for per share amounts

(Unaudited)

("FVLCOD") and value in use ("VIU"). Determining the FVLCOD and VIU involved estimating the net present value of future cash flows derived from the use of the asset, discounted at an appropriate rate.

The key assumptions that have been utilized in the determination of the future cash flows of the intangible assets represent management's best estimate of a range of economic conditions relating to the asset, and were based on historical experience, industry trends, and communication with other key stakeholders of the Company. These key assumptions include sources of license revenue, estimates of license revenue amounts, license revenue growth rate and discount rate. Significant changes in key assumptions utilized in the determination of future cash flows could result in a material change in the impairment loss or reversal of impairment loss.

3. PURCHASE CONSIDERATION RECEIVABLE

On May 31, 2022, the Company signed a share purchase agreement to dispose of its shareholdings in its investment in associate, Sativa Nativa SAS for \$426. The Company received \$352 and the final payment of \$74 is anticipated to be received by the end of March 2024 per communications with the counterparty.

4. PREPAID EXPENSES AND DEPOSITS

	December 31, 2023	March 31, 2023
	\$	\$
Prepaid	546	143
Inventory deposit	708	817
Lease deposits	19	18
	1,273	978

5. INTANGIBLE ASSETS

On December 20, 2019, the Company 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:

MOUNTAIN VALLEY MD HOLDINGS INC.

Notes to the Interim Condensed Consolidated Financial Statements

Nine months ended December 31, 2023 and December 31, 2022

(Expressed in thousands of Canadian Dollars, except for per share amounts

(Unaudited)

Cost	\$
As at March 31, 2023	5,267
Additions	7
As at December 31, 2023	5,274
Accumulated amortization	
As at March 31, 2023	1,082
Depreciation expense	262
As at December 31, 2023	1,344
Carrying amounts:	
As at March 31, 2023	4,185
Carrying value before impairment	3,930
Impairment IP intangible asset loss	(3,818)
As at December 31, 2023	112

- a) The Company recorded additions of \$0 and \$7 during the three- and nine-month periods ended December 31, 2023 respectively, related to direct costs to acquire new patent and keep the current patents updated.
- b) The Company recorded \$87 and \$262 of depreciation during the three and nine-month period ended December 31, 2023 respectively, based on the estimated useful life of the portfolio of patents.
- c) As at December 31, 2023, the net assets of the Company were higher than the market capitalization. As a result, an impairment assessment was performed as at December 31, 2023. The recoverable amount of the intangible asset was based on the FVLCOD, which estimates the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.
- d) The cash flows are discounted using an after-tax discount rate based on the Company's weighted average cost of capital calculated to be 17.5%. The period over which the Company has projected cash flows is over the life of the intangible asset which is approximately 10 years. A growth rate of 1% was used to extrapolate the cash flow projections. These expected future cash flows require a number of assumptions about future license revenue. As a result, an impairment of \$3,818 was identified and intangible assets have been written down by this amount.

6. INVESTMENTS IN EQUITY INSTRUMENTS

The following summarizes the Company's investments at December 31, 2023:

MOUNTAIN VALLEY MD HOLDINGS INC.

Notes to the Interim Condensed Consolidated Financial Statements

Nine months ended December 31, 2023 and December 31, 2022

(Expressed in thousands of Canadian Dollars, except for per share amounts

(Unaudited)

	March 31, 2023	Additions	Disposals	Change in fair value	December 31 2023
	\$	\$	\$	\$	\$
Sixth Wave Innovations Inc. (a)	5	-	-	(5)	-
Circadian Wellness Corp. (b)	1,222	-	-	-	1,222
Agrarius Corp. (c)	203	-	-	-	203
Agroresults Inc. (d)	115	-	-	-	115
	1,545	-	-	(5)	1,540

a) Sixth Wave Innovations Inc.

In December 2023, Sixth Wave announced that it had entered into an agreement with a secured lender pursuant to which such secured lender would exercise its right to foreclose on Sixth Wave's assets. Accordingly, the Company wrote-down the fair value of this investment to be nil.

b) 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 December 31, 2023, 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. Management has determined no subsequent change in fair value.

c) Agrarius Corp.

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

As at December 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.

d) Agroresults Inc.

On November 4, 2022, the Company converted the note receivable of \$115 into 1,072 common shares of Agroresults Inc., a private Canadian company, and majority owner of Agrarius Corp., representing 1% ownership of Agroresults Inc. at the time of issuance.

As at December 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. Management has determined no subsequent change in fair value.

7. 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 nine-month period ended December 31, 2023, the Company applied \$60 of formulation work to revenue.

MOUNTAIN VALLEY MD HOLDINGS INC.

Notes to the Interim Condensed Consolidated Financial Statements

Nine months ended December 31, 2023 and December 31, 2022

(Expressed in thousands of Canadian Dollars, except for per share amounts

(Unaudited)

8. CAPITAL ASSETS

	Office, lab Equipment and manufacturing equipment	Leasehold improvements	Total
	\$		
Cost			
As at March 31, 2023	221	109	330
Additions	496	-	496
As at December 31, 2023	717	109	826
Accumulated amortization			
As at March 31, 2023	93	66	159
Depreciation expense	19	16	35
As at December 31, 2023	112	82	194
Carrying amounts:			
As at March 31, 2023	128	43	171
As at December 31, 2023	605	27	632

9. SHARE CAPITAL

a) Share Capital

Authorized

The authorized share capital of the Company consists of an unlimited number of Common Shares without par value.

Issued and outstanding

The Company has issued share capital of 329,653,424 Common Shares.

Share issuances

The Company issued 71,875 shares for consulting services at a deemed price of \$0.40 for a value of \$29. during the three and nine months ended December 31, 2022. No shares were issued during the three and nine months ended December 31, 2023.

b) Stock Options

The Company has a stock 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 or the date preceding the date of grant, whichever is higher. The options can be granted for a maximum term of ten years, as determined by the Company's Board of Directors. Options granted to investor relations consultants are subject to vesting provisions, 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.

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

MOUNTAIN VALLEY MD HOLDINGS INC.

Notes to the Interim Condensed Consolidated Financial Statements

Nine months ended December 31, 2023 and December 31, 2022

(Expressed in thousands of Canadian Dollars, except for per share amounts

(Unaudited)

	Outstanding Options	Weighted Average Exercise Price
		\$
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
Issued	1,000,000	0.05
Balance at December 31, 2023	20,643,500	0.14

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

Expiry Date	Stock based compensation		
	Options exercisable		
March 13, 2025	3,785,000	0.07	3,785,000
May 1, 2025	250,000	0.08	250,000
May 3, 2025	4,288,500	0.05	4,288,500
December 1, 2025	135,000	0.01	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	0.4	1,000,000
January 25, 2027	2,525,000	0.22	1,262,500
April 7, 2027	50,000	0.13	10,000
March 31, 2028	2,970,000	0.05	1,485,000
September 11, 2028	500,000	0.05	100,000
December 15, 2028	500,000	0.05	100,000
	20,643,500	0.14	16,956,000

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 and June 30, 2023	875,000	0.28	0.48
Expired July 11, 2023	(875,000)	-	0.48
Balance at December 31, 2023	-	-	-

MOUNTAIN VALLEY MD HOLDINGS INC.

Notes to the Interim Condensed Consolidated Financial Statements

Nine months ended December 31, 2023 and December 31, 2022

(Expressed in thousands of Canadian Dollars, except for per share amounts

(Unaudited)

10. 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:

	Nine months ended December 31, 2023	Nine months ended December 31, 2022
	\$	\$
Consulting fees	305	484
Director fees	71	-
Stock based compensation	194	160
	570	644

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments include cash and cash equivalents, HST recoverable, purchase consideration receivable, accounts payable, accrued liabilities and corporate taxes payable. 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 December 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 nine months ended December 31, 2023.

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 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.

MOUNTAIN VALLEY MD HOLDINGS INC.

Notes to the Interim Condensed Consolidated Financial Statements

Nine months ended December 31, 2023 and December 31, 2022

(Expressed in thousands of Canadian Dollars, except for per share amounts

(Unaudited)

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

	Due within		
	0-12 months	1-2 years	2-3 years
	\$	\$	\$
<u>Accounts payable and accrued liabilities</u>	104	-	-

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.

Sensitivity analysis

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 nine months ended December 31, 2023. As a result, a 10% change in the equity investments will translate to a \$155 (nine months ended December 31, 2022, \$182) gain or loss from equity investments.

12. SEGMENT INFORMATION

Management has determined that the Company has one reportable operating segment, research and development of its delivery, solubility, and adjuvant technologies and agriculture.

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.

13. 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.