Optimi Health Corp.

Condensed Interim Consolidated Financial Statements

Period Ended June 30, 2021

(Expressed in Canadian Dollars)

Optimi Health Corp.

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

	June 30, 2021	September 30, 2020
ASSETS		
Current		
Cash and cash equivalents (Note 3)	$ 12,812,323	$ 4,471,113
Cash held in trust	-	47,953
Short-term investments (Note 3)	4,000,000	-
Accounts receivable	108,517	83,223
Prepaids and advances (Note 4)	1,748,061	20,000
Total current assets	18,668,901	4,622,289
Deposits (Note 5)	306,357	-
Deferred financing costs	-	29,110
Plants under construction (Note 5, 8)	5,125,753	1,365,627
Right-of-Use assets (Note 6, 8)	123,451	153,259
Total Assets	$ 24,224,462	$ 6,170,285
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 8)	$ 660,129	$ 651,346
Obligation to issue shares (Note 7, 8)	-	75,000
Lease liability (Note 6, 8)	29,529	25,429
Total current liabilities	689,658	751,775
Lease Liability (Note 6, 8)	108,469	130,890
Total Liabilities	798,127	882,665
Shareholders' equity		
Share capital (Note 7)	25,199,846	966,090
Reserves (Note 7)	1,607,303	4,490,751
Deficit	(3,380,814)	(169,221)
Total shareholders' equity	23,426,335	5,287,620
Total Liabilities and Shareholders' Equity	$ 24,224,462	$ 6,170,285

Nature of operations (Note 1)
Events after the reporting period (Note 14)

Approved on behalf of the Board:

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

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

Optimi Health Corp.

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

	9 month period ended June 30, 2021	3 month period ended June 30, 2021	34-day period ended June 30, 2020
Expenses			
Amortization (Note 6)	$ 23,147	$ 7,716	-
Bank, charges and interest (Note 6)	12,139	4,217	-
Consulting (Note 8)	415,618	274,031	-
Insurance	186,282	120,241	-
Listing expense (Note 7)	241,500	-	-
Marketing	1,015,232	932,173	12,500
Office, rent and admin	77,978	59,337	-
Professional fees	230,539	75,243	-
Research and development (Note 13)	188,476	53,227	-
Share-based compensation (Note 7, 8)	750,258	617,758	-
Transfer agent and filing fees	78,124	32,841	-
Wages and benefits	25,949	25,949	
	3,245,242	2,202,733	12,500
Interest Income (Note 3)	(33,649) -	(33,649)	-
Loss and comprehensive loss for the period	$ 3,211,593	$ 2,169,084	12,500
Loss per share			
Basic and diluted	$ (0.07)	$ (0.03)	(12,500.00)
Weighted average number of common shares outstanding			
Basic and diluted	45,938,911	69,114,792	1

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

Optimi Health Corp.

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

	9 month period ended June 30, 2021	34-day period ended June 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$ (3,211,593)	$ (12,500)
Items not involving cash:		
Amortization	23,147	-
Share-based compensation	750,258	-
Shares issued for research and development	112,500	-
Lease interest	10,840	-
Changes in non-cash working capital items:		
Accounts receivable	(25,294)	-
Prepaids and advances	(1,728,061)	-
Accounts payable and accrued liabilities	155,516	12,500
Deferred financing costs	17,916	-
Cash used in operating activities	(3,894,771)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits	(306,357)	-
Purchase of short term investments	(4,000,000)	-
Plant under construction expenditures	(2,770,665)	-
Net cash used in investing activities	(7,077,022)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Public offering, net of share issue costs	19,098,063	-
Units issued for cash	6,287	-
Exercise of warrants	183,200	-
Payment of lease obligations	(22,500)	-
Cash held in trust	47,953	-
Net cash provided by financing activities	19,313,003	-
Change in cash during the period	8,341,210	-
Cash, beginning of period	4,471,113	-
Cash, end of period	$ 12,812,323	$ -
SUPPLEMENTAL INFORMATION		
Plant under construction costs included in accounts payable (prior year)	610,800	-
Plant under construction costs included in accounts payable	475,261	610,800
Deferred financing costs included in accounts payable (prior year)	11,194	-
Transfer from reserves to share capital on exercise of warrants	4,490,751	19,221
Transfer from reserves to share capital on exercise of RSRs	82,063	-
Shares issued for plant under construction	1,200,000	-
Shares issued for obligation to issue shares	75,000	-
Agent options issued as share issue costs	976,608	-
Modification of lease liability	6,661	-
	-	158,683

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
Periods Ended June 30, 2021 and September 30, 2020
(Expressed in Canadian Dollars)

	Numbers of Shares	Share Capital $	Reserves $	Deficit $	Total Equity $
Balance, May 27, 2020 (Date of incorporation)	1	-	-	-	-
Loss for the period	-	-	-	(12,500)	(12,500)
Balance, June 30, 2020	1	-	-	(12,500)	(12,500)

	Numbers of Shares	Share Capital $	Reserves $	Deficit $	Total Equity $
Balance, September 30, 2020	20,000,001	966,090	4,490,751	(169,221)	5,287,620
Shares issued on exercise of special warrants	17,963,005	4,490,751	(4,490,751)	-	-
Public Offering	27,600,000	20,700,000	-	-	20,700,000
Units issued for cash	25,150	6,287			6,287
Shares issued for plant under construction	3,000,000	1,200,000	-	-	1,200,000
Shares issued for research and development	150,000	112,500	-	-	112,500
Shares issued on exercise of warrants	458,000	183,200	-	-	183,200
Shares issued on conversion of RSRs	142,750	82,063	(82,063)	-	-
Shares issued for advisory services	50,000	37,500			37,500
Share issuance costs	-	(2,578,545)	976,608	-	(1,601,937)
Share-based compensation	-	-	712,758	-	712,758
Loss for the period	-	-	-	(3,211,593)	(3,211,593)
Balance, June 30, 2021	69,388,906	25,199,846	1,607,303	(3,380,814)	23,426,335

1. Nature of Operations

Optimi Health Corp. ("Optimi" or 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 developing a vertically integrated Canadian functional mushroom brand that focuses on the health and wellness food markets. The Company also intends to cultivate, extract, process and distribute high quality strains of fungi products at its facilities located in Princeton, British Columbia. The Company intends to grow and process functional mushrooms, to develop its own health food products and to sell its mushrooms and related products directly to consumers, to other health food brands and to distributors.

The head office and registered and records office is located at 201-1448 Commercial Drive, Vancouver, British Columbia, V5L 3X9.

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.

Over the coming year, the Company intends to complete construction of cultivation and processing facilities in Princeton, British Columbia, develop its functional mushrooms nutraceuticals brand and perform research on the health impacts of psilocybin mushrooms. Management estimates it will have sufficient funds to operate for the upcoming twelve months.

In March 2020, the World Health Organization recognized the outbreak of COVID-19 as a global pandemic. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses, did not materially impact the Company's operations during the period ended June 30, 2021. Despite the pandemic, development activities relating to the plants under construction remain on schedule. Furthermore, the production, processing and sale of agrifood crops have been recognized as essential services in Canada and across Europe. Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company's business, financial position and operating results in the future. Additionally, it is possible that estimates in the Company's condensed interim consolidated financial statements will change in the near term as a result of COVID-19. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

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 International Financial Reporting 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, 2020, prepared in accordance with IFRS as issued by the IASB. Significant accounting policies not included in the audited consolidated financial statements for the year ended September 30, 2020 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 August 12, 2021.

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 subsidiary's functional currency.

c) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiary 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 June 30, 2021, the Company has 100% ownership interest in Optimi Labs Inc.

d) Significant accounting policies

Cash and cash equivalents and short-term investments

Cash and cash equivalents and short-term investments and are classified as FVTPL and are accounted for at fair value. Cash equivalents include highly liquid term deposits with original maturities of three months or less, and which are subject to an insignificant risk of change in value. Short-term investments include term deposits with original maturities greater than three months. Cash equivalents and short-term investments are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

e) 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 under construction

Management considers both external and internal sources of information in determining if there are any indications that the Company's plant under construction are 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 under construction. Management considers the manner in which the plant under construction are being used or are expected to be used an indication of economic performance of the assets.

Valuation of share-based payments

The fair value of equity instruments is subject to the limitations of the Black-Scholes option pricing model, as well as other pricing models such as the Geske option pricing model for equity instruments involving compound options that incorporate market data and involve uncertainty in estimates used by management in the assumptions. Because option pricing models require inputs of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate. The Company estimates volatility based on historical share price of comparable companies, 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.

(Expressed in Canadian Dollars)

3. Cash and cash equivalents and short-term investments

Cash, cash equivalents and short-term investments consist of the following:

	Maturity	Classification	June 30, 2021	September 30, 2020
Cash	N/A	Cash	313,323	-
Term deposit – 0.65%	Demand	Cash equivalent	12,499,000	-
Term deposit – 0.95%	Oct 2, 2021	Short term investment	2,000,000	-
Term deposit – 1.35%	April 5, 2022	Short term investment	2,000,000	-

During the period ended June 30, 2021, the Company earned $33,649 (2020 - $nil) in interest income from cash equivalents and short-term investments.

4. Prepaids and advances

Prepaids and advances consist of the following:

	June 30, 2021	September 30, 2020
Deposits for mushroom raw materials	109,710	-
Numinus retainer (Note 13)	41,331	-
Prepaid insurance	288,649	-
Prepaid marketing	1,272,754	-
Prepaid listing fees	15,617	
Security deposit	20,000	20,000
	$ 1,748,061	**$ 20,000**

5. Plants under construction

During the period ended September 30, 2020, construction began on the Company's cultivation and processing facilities located in Princeton, British Columbia (the "Princeton Facilities"). As at June 30, 2021, $5,125,753 (September 30, 2020 - $1,365,627) of expenditures incurred in connection with the construction of the Princeton Facilities were capitalized. Construction of the Princeton Facilities is estimated to be completed during the current fiscal year. At the time that the Princeton Facilities are ready for their intended use, amortization will commence.

6. Right-of-use asset and Lease liability

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 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 $2,500 per month, increasing to $3,500 per month once the Princeton Facilities are completed. During the period ended June 30, 2021, the anticipated completion date of the Princeton Facilities was extended which resulted in a modification of the Company's ROU asset and lease liability of $6,661.

The continuity of the ROU asset and Lease liability is as follows:

ROU asset		
ROU asset recognized as at July 23, 2020	$	158,683
Amortization		(5,424)
ROU asset as at September 30, 2020	**$**	**153,259**
Modification of ROU asset		(6,661)
Amortization		(23,147)
ROU asset as at June 30, 2021	**$**	**123,451**

(Expressed in Canadian Dollars)

Lease liability		
Lease liability recognized as at July 23, 2020	$	158,683
Lease payments		(5,000)
Lease interest		2,636
Lease liability as at September 30, 2020	**$**	**156,319**
Modification of lease liability		(6,661)
Lease payments		(22,500)
Lease interest		10,840
Lease liability as at June 30, 2021	**$**	**137,998**

	June 30, 2021	**September 30, 2020**
Current portion	$ 29,529	$ 25,429
Long-term portion	108,469	130,890
	$ 137,998	**$156,319**

7. Share Capital

a) Authorized

Unlimited number of common shares without par value.

b) Special warrants

During the period ended September 30, 2020, the Company issued:

- 17,963,005 special warrants of the Company (the "Special Warrants") at a price of $0.25 per Special Warrant for gross proceeds of $4,490,751. Each Special Warrant entitled the holder to automatically receive, without additional payment, one unit in the capital of the Company upon the earlier of (i) January 12, 2021, and (ii) the second business day after the Company receives a receipt for a final long form prospectus qualifying the distribution of the units (issued). Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.40 for a period of two years. During the period ended June 30, 2021 the Special Warrants were converted into common shares (Note 7c).

The Company did not issue any Special Warrants during the period ended June 30, 2021.

c) Issued and outstanding

The total issued and outstanding share capital as at June 30, 2021 consisted of 69,388,906 common shares without par value.

During the period ended September 30, 2020, the Company issued:

- 1 founders' common share for proceeds of $0.01.
- 20,000,000 units at $0.05 each for gross proceeds of $1,000,000 through private placements. Each unit consisted of one common share and one half of one share purchase warrant. Each warrant is exercisable into one additional common share at a price of $0.10 per share for a period of 2 years.

During the period ended June 30, 2021, the Company issued:

- 17,963,005 units on conversion of 17,963,005 Special Warrants (Note 6b).
- 27,600,000 units at a price of $0.75 each for gross proceeds of $20,700,000 in connection with the Company's initial public offering ("IPO"). Each unit consisted of one common share and one half of one common share purchase warrant. Each warrant is exercisable into one additional common share at a price of $1.25 per share for a period of 2 years. The Company incurred $1,601,937 in cash fees and issued 1,932,000 agent options valued at $976,608 for share issuance costs and finders' fees in relation to the IPO. Each agent option is exercisable at a price of $0.75

(Expressed in Canadian Dollars)

per option into a unit consisting of one common share and one half of one common share purchase warrant. Each warrant is exercisable into one additional common share at a price of $1.25 per share for a period of 2 years. The Company measured the fair value of the agent options granted using the Geske pricing model with the following assumptions: expected life of the options - 2 years, stock price volatility – 100%, no dividend yield, and a risk-free interest rate yield of 0.23% (note 7e). In relation to the IPO, the Company incurred $241,500 in legal, regulatory, and consulting fees recorded as listing expense.

- 3,000,000 common shares to BC Green valued at $1,200,000 pursuant to the Project Development Consulting agreement (Note 8). As at June 30, 2021, the Company has an obligation to issue shares of $nil (September 30, 2020 - $75,000) in relation to the agreement.
- 150,000 common shares valued at $112,500 to Numinus Wellness Inc. ("Numinus") pursuant to the Laboratory Service Agreement (Note 13).
- 142,750 common shares valued at $82,063 on exercise of restricted share rights ("RSRs").
- 458,000 common shares for gross proceeds of $183,200 on exercise of warrants.
- 25,150 common shares for gross proceeds of $6,287 for issuance of units. Each unit consisted of one common share and one half of one common share purchase warrant. Each warrant is exercisable into one additional common share at a price of $0.40 per share for a period of 2 years.
- 50,000 common shares valued at $37,500 for advisory services recorded as share-based compensation.

d) Warrants

Warrant transactions are summarized as follows:

	Number of warrants	Weighted Average exercise price
Balance, May 27, 2020	-	-
Issued	10,000,000	$0.10
Balance, September 30, 2020	10,000,000	$0.10
Issued	31,788,155	$0.77
Exercised	458,000	$0.40
Balance, June 30, 2021	41,330,155	$0.61

The following is a summary of warrants as at June 30, 2021:

Expiry Date	Exercise Price	Number of Warrants	Weighted Average Remaining Contractual Life (Years)
July 6, 2022	$0.10	10,000,000	1.02
September 11, 2022	$0.40	17,530,155	1.20
February 24, 2023	$1.25	13,800,000	1.65

e) 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 ("DSUs") 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 Equity Incentive Plan, together with any other securities-based compensation arrangements of the Corporation, shall not exceed 15% of the Corporation'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 June 30, 2021, the Company granted:

- 500,000 stock options with a fair value of $80,110 to directors and officers. These options vested on grant and have an exercise price of $0.50 per option and expire on October 9, 2025.
- 40,000 stock options with a fair value of $23,023 to consultants. These options vest 25% every three months with the first 25% vesting on April 26, 2021, have an exercise price of $0.60 per option and expire on January 26, 2026.
- 2,025,000 stock options to directors, officers, consultants and advisors. These options vest 25% on grant and 25% every six months thereafter with an exercise price of $1.50 per option and expire on May 6, 2026.
- 150,000 stock options to an employee. These options vest 25% on grant and 25% every six months thereafter with an exercise price of $1.50 per option and expire on May 20, 2026.
- 75,000 stock options to a consultant. These options vest 25% on grant and 25% every six months thereafter with an exercise price of $1.50 per option and expire on May 25, 2026.
- 50,000 stock options to a consultant. These options vest 25% on grant and 25% every six months thereafter with an exercise price of $1.50 per option and expire on June 14, 2026.

During the period ended June 30, 2021, the Company recorded $543,532 (September 30, 2020 - $nil) in share-based compensation expense due to the vesting of options. The Company measured the fair value of the options granted using the Black-Scholes option pricing model with the following weighted average assumptions: expected life of the options - 5 years, stock price volatility – 100%, no dividend yield, and a risk-free interest rate yield of 0.39%.

During the period ended June 31, 2021, the Company granted 1,932,000 agent options as described in note 6c.

Stock option transactions are summarized as follows:

	Number of options	Weighted Average exercise price
Balance, May 27, 2020, and September 30, 2020	-	-
Issued	4,772,000	$1.08
Balance, June 30, 2021	4,772,000	$1.08

(Expressed in Canadian Dollars)

The following is a summary of stock options as at June 30, 2021:

Expiry Date	Exercise Price	Number of Options	Options Exercisable	Weighted Average Remaining Contractual Life (Years)
October 9, 2025	$0.50	500,000	500,000	4.28
January 26, 2026	$0.60	40,000	10,000	4.58
May 6, 2026	$1.50	2,025,000	506,250	4.85
May 20, 2026	$1.50	150,000	37,500	4.89
May 25, 2026	$1.50	75,000	18,750	4.90
July 14, 2026	$1.50	50,000	12,500	4.96
February 24, 2023	$0.75	1,932,000*	1,932,000	1.65

- Exercisable into one common share and one-half warrant.

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 period ended June 30, 2021, the Company granted:

- 500,000 RSRs to a director and officer valued at $125,000. These RSRs vest as follows: 10% on the date the Company's shares were listed on the Canadian Securities Exchange and 15% on every six-month anniversary of the listing date. During the period ended June 30, 2021, the Company recorded $60,421 (September 30, 2020 - $nil) in share-based compensation related to the vesting of these RSRs. During the period ended June 30, 2021, 50,000 RSRs vested and were converted into common shares.
- 927,500 RSRs to a directors, officers, consultants, and advisors valued at $695,625. These RSRs vest as follows: 10% on the grant date and 15% on every six-month thereafter. During the period ended June 30, 2021, the Company recorded $146,305 (September 30, 2020 - $nil) in share-based compensation related to the vesting of these RSRs. During the period ended June 30, 2021, 92,750 RSRs vested and were converted into common shares.

8. Key Management Compensation and Related Party Transactions

During the period ended June 30, 2021, 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 financial statements:

	June 30, 2021
Consulting fees	$ 143,516
Share-based compensation	540,343
	$ 683,859

During the period ended September 30, 2020, the Company signed a Project Development Consulting agreement with BC Green. During the period ended June 30, 2021, the Company granted BC Green 3,000,000 common shares as consideration for consulting services related to the construction of the Princeton Facilities. 1,500,000 common shares were issued when the Company received its building permits for the Princeton Facilities and an additional 1,500,000 common shares were issued upon the Company (i) being legally recognized as a "licensed dealer" under the *Narcotic Control Regulations* (Canada), or (ii) granted an exemption to conduct commercial production, processing, manufacturing, distribution and sales activities with one or more controlled substances under the *Controlled Drugs and Substances Act* (Canada) (met).

During the period ended September 30, 2020, the Company received its building permits and recorded an obligation to issue 1,500,000 common shares valued at $75,000 to BC Green which was extinguished during the period ended June 30, 2021 through the issuance of the common shares.

The Company has entered into a lease agreement with BC Green described in Note 6.

As at June 30, 2021, there was $25,613 (September 30, 2020 - $4,000) owing to key management which is included in accounts payable and accrued liabilities. The amounts are unsecured, without interest and due on demand.

9. 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. The Company considers the carrying amounts of all its financial assets and financial liabilities recognized at amortized cost in these condensed interim consolidated financial statements to approximate their fair values due to the short-term maturity of these 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 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, short-term investments, cash held in trust, accounts payable and accrued liabilities and lease liability. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments.

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 on 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.

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 subjects the Company to credit risk consists of cash and cash equivalents, short-term investments, and cash held in trust. The Company limits exposure by maintaining its cash with major Canadian commercial banks and credit unions.

(Expressed in Canadian Dollars)

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 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 liability which matures based on the lease agreement.

Currency risk

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

10. Capital Disclosure

The capital structure of the Company consists of equity attributable to common shareholders comprising issued share capital, subscriptions received, 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.

11. Segment Reporting

For the period ended June 30, 2021, the Company has one reportable operating segment being that of the farming, processing and distribution of agrifoods. The Company's non-current assets at June 30, 2021 are all in Canada.

12. Commitments

The Company has a lease commitment for the industrial land where the Princeton Facilities are being constructed expiring in June 2025. Cash commitments for minimum lease payments in relation to the facility leases as at June 30, 2021, are payable as follows:

Within 1 year	$	42,000
Between 1 year and 5 years		126,000
	$	168,000

13. Laboratory and Services Agreement

During the period ended June 30, 2021, the Company entered into a Laboratory and Services Agreement with Numinus pursuant to which Numinus will provide certain psychedelic materials, testing, and research and development services to the Company. The Company paid Numinus a retainer of $100,000 (Note 4) and issued 150,000 common shares valued at $112,500 (Note 7c) recorded in research and development expense. In addition, the Company will issue to Numinus a further 150,000 common shares upon completion of the first project under a project agreement.

14. Events after the reporting period

Subsequent to June 30, 2021, the Company:

- Issued 85,150 common shares for gross proceeds of $34,060 on exercise of warrants.