Optimi Health Corp.

Condensed Interim Consolidated Financial Statements

Period Ended March 31, 2022

(Expressed in Canadian Dollars)

Unaudited

Optimi Health Corp.

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

	Note	March 31, 2022 $ (unaudited)	September 30, 2021 $
ASSETS			
Current			
Cash and cash equivalents	3	3,298,374	8,432,843
Short-term investments	3	2,000,000	4,000,000
Accounts receivable		112,942	188,183
Inventory	4	212,538	-
Prepaids and advances	5	155,466	1,681,178
Total current assets		5,779,320	14,302,204
Construction deposits		203,118	257,552
Plant under construction	6	11,878,806	8,586,465
Equipment and office furniture	7	683,548	84,555
Right-of-use assets	8	181,459	232,631
Total assets		18,726,251	23,463,407
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	10	1,416,939	2,144,542
Lease liability	8	101,106	95,362
Total current liabilities		1,518,045	2,239,904
Long-term lease liability	8	105,257	155,483
Total liabilities		1,623,302	2,395,387
Shareholders' equity			
Share capital	9	25,236,851	25,157,857
Reserves	9	2,634,966	2,098,913
Accumulated deficit		(10,768,868)	(6,188,750)
Total shareholders' equity		17,102,949	21,068,020
Total liabilities and shareholders' equity		18,726,251	23,463,407

Events After the Reporting Period (Note 15)

Approved and authorized by the Board on May 19, 2022

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

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

Optimi Health Corp.

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

	Note	6-month period ended March 31, 2022 $	6-month period ended March 31, 2021 $	3-month period ended March 31, 2022 $	3-month period ended March 31, 2021 $
Expenses					
Advertising, promotion and public relations		256,135	-	160,201	-
Amortization	7, 8	53,244	15,431	27,455	7,716
Bank charges and interest	8	15,085	7,922	7,902	4,003
Consulting	10	349,346	141,587	186,738	84,466
Insurance		590,343	66,041	469,447	60,731
Investor relations		317,949	-	2,554	-
Listing		-	241,500	-	241,500
Marketing		1,357,959	83,059	-	65,759
Office, rent and administration		152,513	18,641	90,985	13,780
Professional fees		76,914	155,296	38,826	96,491
Research and development		93,774	135,248	48,339	135,248
Share-based compensation	9, 10	684,147	132,500	315,755	29,281
Transfer agent and filing fees		67,407	45,283	39,486	23,526
Travel and accommodation		61,727	-	13,515	-
Wages and benefits	9, 10	652,199	-	357,915	-
		4,728,742	1,042,508	1,759,118	762,501
Interest income	3	36,124	-	6,609	-
Loss and comprehensive loss for the period		(4,692,618)	(1,042,508)	(1,752,509)	(762,501)
Loss per share					
Basic and diluted		(0.07)	(0.03)	(0.02)	(0.02)
Weighted average number of common shares outstanding					
Basic and diluted		69,925,121	34,156,948	70,117,758	48,628,494

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

Optimi Health Corp.

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

	6-month period ended March 31, 2022 $	6-month period ended March 31, 2021 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(4,692,618)	(1,042,508)
Add back non-cash items		
Amortization	53,244	15,431
Share-based compensation	684,147	132,500
Shares issued for research and development	-	112,500
Lease interest	11,264	7,324
Changes in non-cash working capital items		
Accounts receivable	75,241	(31,207)
Inventory	(212,538)	-
Prepaids and advances	1,525,712	(731,037)
Accounts payable and accrued liabilities	207,333	42,936
Deferred financing costs	-	17,619
Cash used in operating activities	(2,348,215)	(1,476,145)
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits	(293,467)	-
Redemption of short-term investments	2,000,000	-
Plant under construction expenditures	(4,140,926)	(1,924,823)
Equipment additions	(342,142)	-
Cash used in investing activities	(2,776,535)	(1,924,823)
CASH FLOWS FROM FINANCING ACTIVITIES		
Private placements, net of share issue costs	-	19,098,063
Exercise of warrants	43,400	120,000
Payment of lease obligations	(53,119)	(15,000)
Cash held in trust	-	47,953
Cash (used in) provided by financing activities	(9,719)	19,251,016
Change in cash and cash equivalents during the period	(5,134,469)	15,850,048
Cash and cash equivalents, beginning of period	8,432,843	4,471,113
Cash and cash equivalents, end of period	3,298,374	20,321,161
SUPPLEMENTAL INFORMATION		
Plant under construction costs included in accounts payable	913,198	52,923
Transfer from reserves to share capital on exercise of restricted share rights	123,094	37,500
Transfer from reserves to share capital on exercise of special warrants	-	4,490,751
Deposits converted to equipment and plant under construction	347,901	-
Transfer from deficit to share capital on cancellation of shares	112,500	-
Shares issued for plant under construction	-	1,200,000
Agent options issued as share issue costs	-	755,900
Modification of lease liability	2,627	6,661

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
(Unaudited – Expressed in Canadian Dollars)

	Number of shares	Share capital $	Reserves $	Accumulated deficit $	Total shareholders' equity $
Balance, October 1, 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
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	300,000	120,000	-	-	120,000
Shares issued on conversion of restricted share rights	50,000	37,500	(37,500)	-	-
Share issuance costs	-	(2,357,837)	755,900	-	(1,601,937)
Share-based compensation	-	-	132,500	-	132,500
Loss and comprehensive loss for the period	-	-	-	(1,042,508)	(1,042,508)
Balance, March 31, 2021	69,063,006	25,269,004	850,900	(1,211,729)	24,908,175
Balance, October 1, 2021	69,870,133	25,157,857	2,098,913	(6,188,750)	21,068,020
Shares issued on exercise of warrants	108,500	43,400	-	-	43,400
Shares issued on conversion of restricted share rights	214,125	123,094	(123,094)	-	-
Share-based compensation	50,000	25,000	659,147	-	684,147
Shares returned to treasury	(150,000)	(112,500)	-	112,500	-
Loss and comprehensive loss for the period	-	-	-	(4,692,618)	(4,692,618)
Balance, March 31, 2022	70,092,758	25,236,851	2,634,966	(10,768,868)	17,102,949

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

1. Nature of Operations and Going Concern

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

The Company is 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 40440 Thunderbird Ridge, Garibaldi Highlands, British Columbia, Canada, V0N 1T0.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at March 31, 2022, the Company had not yet achieved profitable operations and had an accumulated deficit of $10,768,868 (September 30, 2021 - $6,188,750) since its inception. Without additional financing, the Company may not be able to fund its ongoing operations. The Company intends to finance its future requirements through profitable operations and positive cash flows. Should the Company require additional financing, it will rely on a combination of debt and/or equity issuances. There is no assurance that the Company will be able achieve profitable operations and positive cash flows or obtain financings on favorable terms. These uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

Over the coming quarter, 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.

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 March 31, 2022. Despite the pandemic, development activities relating to the plants under construction remain on schedule. Furthermore, the production, processing and sale of agri-food 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 International Accounting Standard 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"), and the interpretations of the International Financial Reporting Interpretations Committee. 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, 2021, 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, 2021 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 May 19, 2022.

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's and its subsidiaries' functional currency.

c) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries with intercompany balances and transactions eliminated on consolidation. Subsidiaries are those entities over which the Company has the power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. As of March 31, 2022, the Company has 100% ownership interest in Optimi Labs Inc and Optimi Nutraceuticals Corp.

d) Significant accounting policies

Cash and cash equivalents and short-term investments

Cash and cash equivalents and short-term investments are classified as fair value through profit or loss 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.

Inventories

Inventories are valued at the lower of cost and net realizable value. Raw material costs are accounted for using purchase cost on a weighted average basis. Finished goods and work-in-progress costs are accounted for using cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

Revenue

The Company's revenue is derived from the sale of its nutraceutical products direct to consumers, distributors, retail and wholesale customers. Revenue is recognized for the sale of products at the point in time when control of the asset is transferred to the customer based on shipping terms. The Company generally has a right to payment at the time of delivery, which is the same time that the Company has satisfied its performance obligations under the arrangement. As such, a receivable is recognized as the consideration is unconditional and only the passage of time is required before payment is received.

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 period. 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 going 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.

(Unaudited – Expressed in Canadian Dollars)

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 is impaired. Management considers the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of its plant under construction. Management considers the manner in which the plant under construction is being used or is expected to be used an indication of economic performance of the asset.

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. As 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.

3. Cash and Cash Equivalents and Short-term Investments

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

	Maturity	Classification	March 31, 2022 $	September 30, 2021 $
Cash	N/A	Cash	298,374	432,843
Term deposit – 0.65%	Demand	Cash equivalent	3,000,000	8,000,000
Term deposit – 1.35%	April 5, 2022	Short term investment	2,000,000	2,000,000
Term deposit – 0.95%	October 2, 2021	Short term investment	-	2,000,000

During the period ended March 31, 2022, the Company earned $36,124 (2021 - $nil) in interest income from cash equivalents and short-term investments.

4. Inventory

Inventory consists of the Company's finished goods functional mushroom nutraceutical products.

5. Prepaids and Advances

Prepaids and advances consist of the following:

	March 31, 2022 $	September 30, 2021 $
Deposits for mushroom raw materials	116,731	123,247
Prepaid insurance	-	168,614
Prepaid marketing	-	1,357,960
Prepaid transfer agent and filing fees	18,735	11,357
Security deposit	20,000	20,000
	155,466	**1,681,178**

6. Plant 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 March 31, 2022, $11,878,806 (September 30, 2021 - $8,586,465) 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.

(Unaudited – Expressed in Canadian Dollars)

7. Equipment and Office Furniture

	Office furniture $	Production and lab equipment $	Total $
Cost			
September 30, 2021	-	84,555	84,555
Additions	63,017	540,675	603,692
March 31, 2022	63,017	625,230	688,247
Accumulated amortization			
September 30, 2021	-	-	-
Additions	4,699	-	4,699
March 31, 2022	4,699	-	4,699
Net book value			
September 30, 2021	-	84,555	84,555
March 31, 2022	58,318	625,230	683,548

At the time that the production and lab equipment are ready for the intended use, amortization will commence.

8. 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 industrial land from BC Green on which to build its Princeton Facilities. Upon signing of the lease agreement, the Company recognized $158,683 for a right-of-use ("ROU") asset and $158,683 for a lease liability representing the present value of the future lease payments discounted using an effective interest rate of 10%. The lease payments are $2,500 per month, increasing to $3,500 per month once the Princeton Facilities are completed.

During the year ended September 30, 2021, the Company entered into a lease agreement for office space in Vancouver, British Columbia, with monthly payments of $6,353 for a period of two years.

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

ROU asset	Princeton $	Office $	Total $
ROU asset as at September 30, 2020	153,259	-	153,259
Recognition of ROU asset	-	137,679	137,679
Modification of ROU asset	(11,187)	-	(11,187)
Amortization	(29,910)	(17,210)	(47,120)
ROU asset as at September 30, 2021	112,162	120,469	232,631
Modification of ROU asset	(2,627)	-	(2,627)
Amortization	(14,125)	(34,420)	(48,545)
ROU asset as at March 31, 2022	**95,410**	**86,049**	**181,459**

(Unaudited – Expressed in Canadian Dollars)

Lease liability	Princeton $	Office $	Total $
Lease liability as at September 30, 2020	156,319	-	156,319
Recognition of lease liability	-	137,679	137,679
Modification of lease liability	(11,187)	-	(11,187)
Lease payments	(30,000)	(19,060)	(49,060)
Lease interest	13,782	3,312	17,094
Lease liability as at September 30, 2021	128,914	121,931	250,845
Modification of lease liability	(2,627)	-	(2,627)
Lease payments	(15,000)	(38,119)	(53,119)
Lease interest	5,842	5,422	11,264
Lease liability as at March 31, 2022	**117,129**	**89,234**	**206,363**

	March 31, 2022 $	September 30, 2021 $
Current portion	101,106	95,362
Long-term portion	105,257	155,483
	206,363	**250,845**

9. Share Capital

a) Authorized

Unlimited number of common shares without par value.

b) Issued and outstanding

The total issued and outstanding share capital as at March 31, 2022 consisted of 70,092,758 common shares without par value.

During the period ended March 31, 2022, the Company:

- Issued 108,500 common shares valued at $43,400 on exercise of warrants
- Issued 214,125 common shares valued at $123,094 on exercise of restricted share rights (“RSRs”).
- Issued 50,000 common shares valued at $25,000 for services recorded as share-based compensation
- Cancelled 150,000 common shares valued at $112,500, which were returned to treasury.

Warrants

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance, September 30, 2021	40,997,005	$0.61
Exercised	(108,500)	$0.40
Balance, March 31, 2022	40,888,505	$0.61

The following is a summary of warrants as at March 31, 2022:

Expiry date	Exercise price	Number of warrants	Weighted average remaining contractual life (years)
July 6, 2022	$0.10	10,000,000	0.27
September 11, 2022	$0.40	17,088,505	0.45
February 24, 2023	$1.25	13,800,000	0.90

(Unaudited – Expressed in Canadian Dollars)

c) Equity incentive plan

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

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 March 31, 2022, the Company granted:

- 30,000 stock options to an employee. These options vest 25% every six months from the date of issuance with an exercise price of $1.50 per option and expire on October 18, 2026.

During the period ended March 31, 2022, the Company recorded $484,805 (2021 - $88,597) 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%.

Options transactions are summarized as follows:

	Number of options	Weighted average exercise price
Balance, September 30, 2021	5,772,000	$1.16
Granted	30,000	$1.50
Balance, March 31, 2022	5,802,000	$1.16

The following is a summary of stock options as at March 31, 2022:

Expiry date	Exercise price	Number of options	Options exercisable	Weighted average remaining contractual life (years)
October 9, 2025	$0.50	500,000	500,000	3.53
January 26, 2026	$0.60	40,000	20,000	3.83
May 6, 2026	$1.50	2,025,000	1,012,500	4.10
May 20, 2026	$1.50	150,000	75,000	4.14
May 25, 2026	$1.50	75,000	37,500	4.15
July 14, 2026	$1.50	50,000	25,000	4.21
August 30, 2026	$1.50	1,000,000	250,000	4.42
October 18, 2026	$1.50	30,000	-	4.55
February 24, 2023	$0.75	1,932,000*	1,932,000	0.90

* Exercisable into one common share and one-half of one 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 year ended September 30, 2021, the Company granted 500,000 RSRs to a director and officer valued at $125,000. These RSRs will vest 10% on the date the Company's shares are listed on a Canadian stock exchange (February 24, 2021) and 15% on every six-month anniversary of the listing date. During the period ended March 31, 2022, the Company recorded $27,620 (2021 - $43,903) in share-based compensation related to the vesting of these RSRs. During the period ended March 31, 2022, 75,000 RSRs vested and were converted into common shares.

(Unaudited – Expressed in Canadian Dollars)

During the year ended September 30, 2021, the Company granted 927,500 RSRs to directors, officers, consultants and advisors valued at $695,625. These RSRs vest as follows: 10% on the grant date and 15% on every six-month anniversary thereafter. During the period ended March 31, 2022, the Company recorded $171,721 (2021 - $nil) in share-based compensation related to the vesting of these RSRs. During the period ended March 31, 2022, 139,125 RSRs vested and were converted into common shares.

10. Key Management Compensation and Related Party Transactions

During the period ended March 31, 2022, the Company incurred the following amounts charged by officers and directors (being key management personnel) and companies controlled and/or owned by officers and directors of the Company in addition to the related party transactions disclosed elsewhere in these condensed interim consolidated financial statements:

	March 31, 2022 $	March 31, 2021 $
Consulting fees	148,500	44,016
Share-based compensation	507,525	124,013
Wages and benefits	250,000	-
	906,025	**168,029**

The Company has entered into a lease agreement with BC Green, as described in Note 7.

As at March 31, 2022, there was $3,205 (September 30, 2021 - $35,796) owing to key management, which is included in accounts payable and accrued liabilities. The amounts are unsecured, without interest and due on demand.

11. 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 and short-term investments, accounts payable and accrued liabilities, and lease liability. The fair values of these financial instruments approximate 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.

(Unaudited – Expressed in Canadian Dollars)

Interest rate risk

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

Credit risk

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

Liquidity risk

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

12. Capital Disclosure

The capital structure of the Company consists of equity attributable to common shareholders comprising issued share capital, reserves and deficit. The Company's objectives when managing capital are to: (i) preserve capital; (ii) obtain the best available net return; and (iii) maintain liquidity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital restrictions.

13. Segment Reporting

For the period ended March 31, 2022, the Company has one reportable operating segment, being that of farming, processing and distribution of agri-foods. The Company's non-current assets at March 31, 2022 are all in Canada.

14. 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 March 31, 2022, are payable as follows:

	$
Within 1 year	117,238
Between 1 year and 5 years	113,560
	230,798

15. Events After the Reporting Period

Subsequent to March 31, 2022, the Company issued 139,125 common shares on vesting of RSRs.