Optimi Health Corp.

Consolidated Financial Statements

Year Ended September 30, 2022

(Expressed in Canadian Dollars)

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF Optimi Health Corp.

Opinion

We have audited the consolidated financial statements of Optimi Health Corp. and its subsidiaries (the "Company"), which comprise:

- the consolidated statements of financial position as at September 30, 2022 and 2021;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $7,350,828 during the year ended September 30, 2022 and, as of that date, the Company had an accumulated deficit of $13,427,078. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Kevin Yokichi Nishi.

Smythe LLP

Chartered Professional Accountants
Vancouver, British Columbia
December 12, 2022

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Optimi Health Corp.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	September 30, 2022 $	September 30, 2021 $
ASSETS			
Current			
Cash and cash equivalents	4	1,888,578	8,432,843
Short-term investments	4	-	4,000,000
Accounts receivable		98,702	188,183
Inventory	5	264,724	-
Prepaids and advances	6	175,522	1,681,178
Total current assets		2,427,526	14,302,204
Deposits		10,665	257,552
Property, plant and equipment	7	14,247,219	8,671,020
Right-of-use assets	8	132,361	232,631
Total assets		16,817,771	23,463,407
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	10	640,088	2,144,542
Lease liability	8	88,092	95,362
Total current liabilities		728,180	2,239,904
Long-term lease liability	8	69,485	155,483
Total liabilities		797,665	2,395,387
Shareholders' equity			
Share capital	9	26,614,345	25,157,857
Reserves	9	2,832,839	2,098,913
Accumulated deficit		(13,427,078)	(6,188,750)
Total shareholders' equity		16,020,106	21,068,020
Total liabilities and shareholders' equity		16,817,771	23,463,407

Events After the Reporting Year (Note 16)

Approved and authorized by the Board on December 12, 2022

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

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

Optimi Health Corp.

Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Note	Year ended September 30, 2022 $	Year ended September 30, 2021 $
Revenue			
Sales, net of discounts		80,717	-
Cost of sales		(26,799)	-
Gross margin		53,918	-
Expenses			
Advertising, promotion and public relations		532,665	257,940
Amortization	7, 8	293,597	47,120
Bank charges and interest	8	27,993	19,184
Consulting	10	794,950	604,639
Freight		81,132	-
Insurance		486,143	308,242
Investor relations		321,949	613,840
Marketing		1,581,571	1,822,679
Office, rent and administration		265,008	121,422
Professional fees		189,158	402,219
Production costs		103,905	-
Research and development		133,235	240,924
Share-based compensation	9, 10	1,005,114	1,260,618
Transfer agent and filing fees		139,663	91,430
Travel and accommodation		145,015	-
Wages and benefits	9, 10	1,370,591	284,310
		7,471,689	6,074,567
Interest income	4	66,943	55,038
Loss and comprehensive loss for the year		(7,350,828)	(6,019,529)
Loss per share			
Basic and diluted		$ (0.09)	$ (0.12)
Weighted average number of common shares outstanding			
Basic and diluted		77,939,707	51,922,761

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

Optimi Health Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended September 30, 2022 $	Year ended September 30, 2021 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	(7,350.828)	(6,019,529)
Add back non-cash items		
Amortization	293,597	47,120
Share-based compensation	1,005,114	1,260,618
Shares issued for research and development	-	112,500
Lease interest	20,597	17,094
Shares issued for wages and benefits	-	47,500
Changes in non-cash working capital items		
Accounts receivable	89,481	(104,960)
Inventory	(264,724)	-
Prepaids and advances	1,505,656	(1,661,178)
Accounts payable and accrued liabilities	121,566	259,651
Deferred financing costs	-	17,916
Cash used in operating activities	(4,579,541)	(6,023,268)
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits	-	(257,552)
Redemption (purchase) of short-term investments	4,000,000	(4,000,000)
Plant under construction expenditures	(6,253,413)	(4,851,099)
Equipment additions	(897,873)	(84,555)
Cash used in investing activities	(3,151,286)	(9,193,206)
CASH FLOWS FROM FINANCING ACTIVITIES		
Private placements, net of share issue costs	-	18,856,564
Units issued for cash	-	6,287
Exercise of warrants	1,297,800	316,460
Payment of lease obligations	(111,238)	(49,060)
Cash held in trust	-	47,953
Cash provided by financing activities	1,186,562	19,178,204
Change in cash and cash equivalents during the year	(6,544,265)	3,961,730
Cash and cash equivalents, beginning of year	8,432,843	4,471,113
Cash and cash equivalents, end of year	1,888,578	8,432,843
SUPPLEMENTAL INFORMATION		
Plant under construction costs included in accounts payable	91,887	1,857,482
Equipment included in accounts payable	139,575	-
Transfer from reserves to share capital on exercise of restricted share rights	246,188	100,813
Transfer from reserves to share capital on exercise of special warrants	-	4,490,751
Deposits converted to equipment and plant under construction	246,887	-
Transfer from share capital to deficit on cancellation of shares	112,500	-
Shares issued for plant under construction	-	1,200,000
Agent options issued as share issue costs	-	976,608
Modification of lease liability	2,627	11,187

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

Optimi Health Corp.

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

	Common 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	791,150	316,460	-	-	316,460
Shares issued on conversion of RSRs	217,750	100,813	(100,813)	-	-
Shares issued for wages and benefits	73,077	47,500	-	-	47,500
Share issuance costs	-	(2,820,044)	976,608	-	(1,843,436)
Share-based compensation	50,000	37,500	1,223,118	-	1,260,618
Loss and comprehensive loss for the year	-	-	-	(6,019,529)	(6,019,529)
Balance, September 30, 2021	69,870,133	25,157,857	2,098,913	(6,188,750)	21,068,020
Shares issued on exercise of warrants	10,744,500	1,297,800	-	-	1,297,800
Shares issued on conversion of restricted share rights	428,250	246,188	(246,188)	-	-
Share-based compensation	50,000	25,000	980,114	-	1,005,114
Shares returned to treasury	(150,000)	(112,500)	-	112,500	-
Loss and comprehensive loss for the year	-	-	-	(7,350,828)	(7,350,828)
Balance, September 30, 2022	80,942,883	26,614,345	2,832,839	(13,427,078)	16,020,106

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

1. Nature of Operations and Going Concern

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

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

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

These audited consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the year ended September 30, 2022, the Company incurred a net loss of $7,350,828 and has not yet achieved profitable operations. The Company has an accumulated deficit of $13,427,078 since its inception. Without additional financing, the Company may not be able to fund its ongoing operations. The Company intends to finance its future requirements through a combination of debt and/or equity issuances. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. These uncertainties cast significant doubt on the Company’s ability to continue as a going concern. The Company will need to raise sufficient working capital to maintain operations. Subsequent to the year ended September 30, 2022, the Company completed a private placement for gross proceeds of $1,850,000 (Note 16).

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 year ended September 30, 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 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements were authorized for issue by the Board of Directors on December 12, 2022.

b) Basis of presentation

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

c) Basis of consolidation

These 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.

d) Significant accounting judgments and estimates

The preparation of 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 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 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 Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

3. Significant Accounting Policies

a) Plant and equipment

Expenditures for plant under construction are capitalized to the consolidated statements of financial position and will be amortized over the life of the asset commencing at the time the asset is ready for its intended use.

Property and equipment are stated at cost less accumulated amortization. The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Amortization commences when an item of property and equipment is available for use and is provided at rates calculated to write-off the cost of property and equipment over their estimated useful lives as follows:

Equipment	20% declining-balance
Plant	4% declining-balance

On June 27, 2022, the Company's facilities were considered substantially complete, and the Company commenced amortization of the plant on this date.

Property and equipment are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

b) Revenue

Revenue is recognized when performance obligations under the terms of a contract with a customer are satisfied, which is upon the transfer of control of the contracted goods. Control is transferred when title and physical possession of the product has transferred to the customer, which is determined by respective shipping terms and certain additional considerations. The Company does not have performance obligations subsequent to delivery on the sale of goods to customers and revenues from sale of goods are recognized at a "point in time", which is upon passing of control to the customer.

c) Inventory

Inventory is valued at the lower of cost and net realizable value. Purchased inventory is carried at cost and is determined using the weighted average method. The capitalized cost for produced inventory includes the direct and indirect costs initially capitalized to biological assets before the transfer to inventory. The capitalized cost also includes subsequent costs, such as materials, labour and amortization expense on equipment involved in packaging, labelling and inspection. The total cost of inventory also includes a fair value adjustment, which represents the fair value of the biological asset at the time of harvest. All direct and indirect costs related to inventory are capitalized as they are incurred, and they are subsequently recorded within production costs on the consolidated statements of loss and comprehensive loss. At the time the mushrooms are sold, the realized fair value amounts included in inventory sold are recorded as a separate line on the consolidated statements of loss and comprehensive loss.

d) Biological assets

The Company's biological assets consist of mushrooms that are not yet harvested. These biological assets are measured at fair value less costs to sell. The Company capitalizes all related direct costs of growing materials, as well as other indirect costs of production, such as utilities and supplies used in the growing process. Indirect labour for individuals involved in the growing and quality control process is also included, as well as amortization on production equipment and overhead costs to the extent it is associated with the growing space. All direct and indirect costs of biological assets are capitalized as they are incurred, and subsequently transferred to inventory at the point of harvest. Unrealized fair value gains on growth of biological assets are recorded in a separate line on the face of the consolidated statements of loss and comprehensive loss, and subsequently transferred to inventory at the point of harvest.

e) Share-based compensation

Stock options

Share-based compensation to employees is measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees is measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to reserves. Consideration received on the exercise of stock options is recorded as share capital and the related amount originally recorded in reserves is transferred to share capital. For those unexercised options that expire, are cancelled or forfeited, the recorded value is transferred from reserves to deficit.

Restricted share rights

The Company grants restricted share rights (the "RSRs") to certain directors, officers, employees and consultants to receive shares of the Company. The Company classifies RSRs as equity instruments since the Company has the ability and intent to settle the awards in common shares. The fair value of RSRs granted is recognized as an expense over the vesting period with a corresponding increase in equity. The fair value is measured at grant date and recognized over the period during which the RSRs vest. The vesting of RSRs and issuance of common shares in the Company is recorded as issued capital and the related value in reserves is transferred to issued capital.

f) Unit issuance

Proceeds from the issuance of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to common shares based on the fair value of a common share at the announcement date of the unit offering and any residual remaining is allocated to common share purchase warrants.

g) Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. The calculation of diluted earnings per share assumes that outstanding options and warrants are exercised and the proceeds are used to repurchase shares of the Company at the average market price of the shares for the year. Diluted loss per share is not presented if the effects are anti-dilutive.

h) Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the consolidated statement of comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax is calculated using the financial position method on all temporary differences at the consolidated statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

i) Impairment of non-financial assets

The carrying amount of the Company's assets is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the Company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. The recoverable amount of an asset group is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

j) Financial instruments

Financial assets

(a) Recognition and measurement of financial assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

(b) Classification of financial assets

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss.

Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for such financial assets is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary. The Company's cash and cash equivalents, short-term investments, accounts receivable (excluding goods and services taxes) and deposits are classified as amortized cost.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value in other comprehensive income.

Financial assets measured at fair value through profit or loss ("FVTPL")

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

(c) Derecognition of financial assets

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interest in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income.

Financial liabilities

(a) Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

(b) Classification of financial liabilities

The Company classifies financial liabilities at initial recognition as financial liabilities: measured at amortized cost or measured at fair value through profit or loss.

Financial liabilities measured at amortized cost

A financial liability at amortized cost is initially measured at fair value less transaction costs directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method. Accounts payable and accrued liabilities and lease liability are measured at amortized cost.

Financial liabilities measured at fair value through profit or loss

A financial liability measured at fair value through profit or loss is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

(c) Derecognition of financial liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of loss and comprehensive loss.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or loss an impairment gain or loss equal to the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 – Inputs for assets or liabilities that are not based on observable market data.

k) IFRS 16 Leases

At inception, the Company assesses whether a contract contains an embedded lease. A contract contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company, as lessee, is required to recognize a right-of-use asset ("ROU asset"), representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments.

The Company may elect to not apply IFRS 16 to leases with a term of less than 12 months or to low value assets, which is made on an asset by asset basis.

The Company recognizes an ROU asset and a lease liability at the commencement of the lease. The ROU asset is initially measured based on the present value of lease payments, plus initial direct cost, less any incentives received. It is subsequently measured at cost less accumulated amortization, impairment losses and adjusted for certain remeasurements of the lease liability. The ROU asset is amortized from the commencement date over the shorter of the lease term or the useful life of the underlying as set. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is the rate which the operation would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment.

Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Variable lease payments that do not depend on an index or a rate not included in the initial measurement of the ROU asset and lease liability are recognized as an expense in profit or loss the in the period in which they are incurred.

(Expressed in Canadian Dollars)

4. Cash and Cash Equivalents and Short-Term Investments

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

	Maturity	Classification	September 30, 2022 $	September 30, 2021 $
Cash	N/A	Cash	395,626	432,843
Term deposit – 0.65%	Demand	Cash equivalent	-	8,000,000
Term deposit – 3.35%	Demand	Cash equivalent	1,407,952	-
Term deposit – 1.2%	Demand	Cash equivalent	60,000	-
Term deposit – 0.80%	Demand	Cash equivalent	25,000	-
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 year ended September 30, 2022, the Company earned $66,943 (2021 - $55,038) in interest income from cash equivalents and short-term investments.

5. Inventory

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

	September 30, 2022 $	September 30, 2021 $
Finished goods nutraceutical products	196,371	-
Raw materials	68,353	-
	264,724	**-**

6. Prepaids and Advances

Prepaids and advances consist of the following:

	September 30, 2022 $	September 30, 2021 $
Deposits for mushroom raw materials	-	123,247
Prepaid insurance	134,390	168,614
Prepaid marketing	21,213	1,357,960
Prepaid transfer agent and filing fees	8,516	11,357
Security deposit	11,403	20,000
	175,522	**1,681,178**

(Expressed in Canadian Dollars)

7. Property, Plant and Equipment

During the year ended September 30, 2020, construction began on the Company's cultivation and processing facilities located in Princeton, British Columbia (the "Princeton Facilities"). The Princeton Facilities were considered substantially complete on June 27, 2022 and amortization commenced on the plant.

	Office furniture $	Production and lab equipment $	Plant $	Total $
Cost				
September 30, 2021	-	84,555	8,586,465	8,671,020
Additions	69,531	985,598	4,717,024	5,772,153
September 30, 2022	69,531	1,070,153	13,303,489	14,443,173
Accumulated amortization				
September 30, 2021	-	-	-	-
Additions	11,568	48,936	135,450	195,954
September 30, 2022	11,568	48,936	135,450	195,954
Net book value				
September 30, 2021	-	84,555	8,586,465	8,671,020
September 30, 2022	57,963	1,021,217	13,168,039	14,247,219

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. On June 27, 2022, the Princeton Facilities were considered substantially complete which resulted in a modification of the Company's ROU asset and lease liability of $2,627.

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	(28,804)	(68,839)	(97,643)
ROU asset as at September 30, 2022	**88,731**	**51,630**	**132,361**

(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	(35,000)	(76,238)	(111,238)
Lease interest	11,422	9,175	20,597
Lease liability as at September 30, 2022	**102,709**	**54,868**	**157,577**

	September 30, 2022 $	September 30, 2021 $
Current portion	88,092	95,362
Long-term portion	69,485	155,483
	157,577	**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 September 30, 2022 consisted of 80,942,883 common shares without par value.

During the year ended September 30, 2022, the Company:

- Issued 10,744,500 common shares valued at $1,297,800 on exercise of warrants.
- Issued 428,250 common shares valued at $246,188 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. The value of these shares was credited to deficit.

During the year ended September 30, 2021, the Company issued:

- 17,963,005 units on conversion of 17,963,005 Special Warrants.
- 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 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%.
- 3,000,000 common shares to BC Green valued at $1,200,000 pursuant to the Project Development Consulting agreement. As at September 30, 2021, the Company has an obligation to issue shares of $nil in relation to the agreement.
- 150,000 common shares valued at $112,500 for research and development services.
- 217,750 common shares valued at $100,813 on exercise of restricted share rights (“RSRs”).
- 791,150 common shares for gross proceeds of $316,460 on exercise of warrants.

(Expressed in Canadian Dollars)

- 25,150 common shares for gross proceeds of $6,287 for issuance of units. Each unit consisted of one common share and 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.
- 73,077 common shares valued at $47,500 as a signing bonus recorded as wages and benefits.

Warrants

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance, September 30, 2020	10,000,000	$0.10
Issued	31,788,155	$0.77
Exercised	(791,150)	$0.40
Balance, September 30, 2021	40,997,005	$0.61
Exercised	(10,744,500)	$0.12
Expired	(16,452,505)	$0.40
Balance, September 30, 2022	13,800,000	$1.25

The following is a summary of warrants as at September 30, 2022:

Expiry date	Exercise price	Number of warrants	Weighted average remaining contractual life (years)
February 24, 2023	$1.25	13,800,000	0.40

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 year ended September 30, 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 year ended September 30, 2022, this employee was terminated and 22,500 of these options were cancelled. The expiry date of the remaining 7,500 options was modified to June 23, 2022. In relation to the termination of these options, $5,320 was recorded as a reduction of share-based compensation expense.

During the year ended September 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.

(Expressed in Canadian Dollars)

- 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.
- 1,000,000 stock options to the CEO. These options vest 25% on grant and 25% every six months thereafter with an exercise price of $1.50 per option and expire on August 31, 2026.

During the year ended September 30, 2022, the Company recorded $657,302 (2021 - $881,367) 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 (2021 – 5 years), stock price volatility – 100% (2021 – 100%), no dividend yield (2021 – 0%) and a risk-free interest rate yield of 1.27% (2021 – 0.38%).

Options transactions are summarized as follows:

	Number of options	Weighted average exercise price
Balance, September 30, 2020	-	-
Issued	5,772,000	$1.16
Balance, September 30, 2021	5,772,000	$1.16
Granted	30,000	$1.50
Cancelled	(22,500)	$1.50
Balance, September 30, 2022	5,779,500	$1.16

The following is a summary of stock options as at September 30, 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	3.03
January 26, 2026	$0.60	40,000	40,000	3.33
May 6, 2026	$1.50	2,025,000	1,518,750	3.60
May 20, 2026	$1.50	150,000	112,500	3.64
May 25, 2026	$1.50	75,000	56,250	3.65
June 14, 2026	$1.50	50,000	37,500	3.71
August 31, 2026	$1.50	1,000,000	750,000	3.92
June 23, 2023	$1.50	7,500	7,500	0.73
February 24, 2023	$0.75	1,932,000*	1,932,000	0.40

* Exercisable into one common share and one-half of one warrant. Each warrant is exercisable at an exercise price of $1.25 until February 24, 2023.

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 year ended September 30, 2022, the Company recorded $41,547 (2021 - $67,076) in share-based compensation related to the vesting of these RSRs. During the year ended September 30, 2022, 150,000 RSRs vested and were converted into common shares.

(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 year ended September 30, 2022, the Company recorded $281,265 (2021 - $274,675) in share-based compensation related to the vesting of these RSRs. During the year ended September 30, 2022, 278,250 RSRs vested and were converted into common shares.

10. Key Management Compensation and Related Party Transactions

During the year ended September 30, 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 consolidated financial statements:

	September 30, 2022 $	September 30, 2021 $
Consulting fees	263,000	209,516
Share-based compensation	750,270	932,174
Wages and benefits	500,000	172,255
	1,513,270	**1,313,945**

During the year ended September 30, 2021, the Company issued 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 valued at $75,000 were issued when the Company received its building permits for the Princeton Facilities and an additional 1,500,000 common shares valued at $1,125,000 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).

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

As at September 30, 2022, there was $84,051 (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.

(Expressed in Canadian Dollars)

b) Management of financial risks

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

Interest rate risk

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

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 year ended September 30, 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 September 30, 2022 are all in Canada.

14. Commitments

The Company has lease commitments for the Facilities and its Vancouver office lease. Cash commitments for minimum lease payments in relation to the facility leases as at June 30, 2022, are payable as follows:

	$
Within 1 year	99,179
Between 1 year and 5 years	77,000
	176,179

(Expressed in Canadian Dollars)

15. Income taxes

The following table reconciles the amount of income tax expense on application of the combined statutory Canadian federal and provincial income tax rates for the years ended September 30, 2022 and 2021:

	September 30, 2022	September 30, 2021
Net loss for the period	$ (7,350,828)	$ (6,019,529)
Statutory rate	27.00%	27.00%
Income tax recovery at statutory rate	(1,985,000)	(1,625,000)
Items not deductible for tax purpose	281,000	347,000
Adjustment to prior year versus statutory tax return	208,000	-
Benefit of tax losses not recognized	1,496,000	1,278,000
Income tax expense	$ -	$ -

The Company recognizes tax benefits on losses or other deductible amounts generated where it is probable the Company will generate future taxable income to be able to utilize those tax assets. The Company has unused tax losses for which no deferred tax asset is recognized amounted to $3,543,000.

The Company has non-capital losses for Canadian tax purposes of approximately $11,650,000 available for carry-forward to reduce future years' taxable income and will start to expire in 2040.

16. Events After the Reporting Period

Subsequent to September 30, 2022, the Company:

- Issued 5,692,308 units pursuant to a private placement at a unit price of $0.325 per unit. Each unit is comprised of one common share and one-half common share purchase warrant. Each warrant is exercisable at a price of $0.50 for a period of two years. The common shares issued on exercise of warrants are subject to a statutory hold period of four months.
- Issued 139,125 common shares on vesting of RSRs