Optimi Health Corp.

Condensed Interim Consolidated Financial Statements

Period Ended March 31, 2023

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management

optimi

Optimi Health Corp.

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

	Note	March 31, 2023 $	September 30, 2022 $
ASSETS			
Current			
Cash and cash equivalents	3	1,827,685	1,888,578
Accounts receivable		107,847	98,702
Inventory	4	240,363	264,724
Prepaids and advances	5	83,896	175,522
Total current assets		2,259,791	2,427,526
Deposits		4,336	10,665
Property, plant and equipment	6	14,034,848	14,247,219
Right-of-use assets	7	66,053	132,361
Total assets		16,365,028	16,817,771
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	10	552,634	640,088
Deferred revenue	8	112,500	-
Lease liability	7	34,921	88,092
Total current liabilities		700,055	728,180
Long-term lease liability	7	51,590	69,485
Total liabilities		751,645	797,665
Shareholders' equity			
Share capital	9	28,593,811	26,614,345
Reserves	9	1,834,598	2,832,839
Accumulated deficit		(14,815,026)	(13,427,078)
Total shareholders' equity		15,613,383	16,020,106
Total liabilities and shareholders' equity		16,365,028	16,817,771

Events After the Reporting Period (Note 15)

Approved and authorized by the Board on May 18, 2023

"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, 2023 $	6 – month period ended March 31, 2022 $	3 – month period ended March 31, 2023 $	3 – month period ended March 31, 2022 $
Revenue		117,667	7,978	70,124	7,978
Cost of sales		(65,957)	(1,516)	(46,926)	(1,516)
Gross margin		51,710	6,462	23,198	6,462
Expenses					
Advertising, promotion and public relations		140,490	262,597	59,756	166,663
Amortization	6, 7	432,752	53,244	216,627	27,455
Bank charges and interest	7	9,148	15,085	4,392	7,902
Consulting	10	357,292	349,346	176,285	186,738
Insurance		148,915	590,343	53,857	469,447
Investor relations		-	317,949	-	2,554
Marketing		21,213	1,357,959	-	-
Office, rent and administration		100,199	152,513	56,842	90,985
Professional fees		89,586	76,914	39,308	38,826
Production costs		122,390	-	90,833	-
Research and development		14,828	93,774	6,805	48,339
Share-based compensation	9, 10	113,961	684,147	33,214	315,755
Shipping		60,246	-	33,843	-
Transfer agent and filing fees		96,218	67,407	42,303	39,486
Travel and accommodation		40,662	61,727	20,264	13,515
Wages and benefits	9, 10	751,034	652,199	400,925	357,915
		2,498,934	4,735,204	1,233,954	1,765,580
Interest and other income	3	(97,624)	(36,124)	(56,867)	(6,609)
Loss on sale of equipment	6	14,956	-	14,956	-
Loss and comprehensive loss for the period		2,364,556	4,692,618	1,215,241	1,752,509
Loss per share					
Basic and diluted		$(0.03)	$(0.07)	$(0.01)	$(0.02)
Weighted average number of common shares outstanding					
Basic and diluted		81,252,217	69,925,121	86,820,103	69,925,121

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, 2023 $	6-month period ended March 31, 2022 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(2,364,556)	(4,692,618)
Add back non-cash items		
Amortization	432,752	53,244
Share-based compensation	113,961	684,147
Lease interest	6,799	11,264
Loss on sale of equipment	14,956	-
Changes in non-cash working capital items		
Accounts receivable	(9,145)	75,241
Inventory	24,361	(187,114)
Prepaids and advances	91,626	1,500,289
Deferred revenue	112,500	-
Accounts payable and accrued liabilities	(29,015)	207,332
Cash used in operating activities	(1,605,758)	(2,348,215)
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits	6,329	(293,467)
Purchase of short-term investments	-	2,000,000
Proceeds from sale of equipment	15,000	-
Plant expenditures	(102,002)	(4,140,926)
Equipment additions	(159,215)	(342,142)
Cash used in investing activities	(239,888)	(2,776,535)
CASH FLOWS FROM FINANCING ACTIVITIES		
Private placements, net of share issue costs	1,843,872	-
Exercise of warrants	-	43,400
Payment of lease obligations	(59,119)	(53,119)
Cash provided by (used in) financing activities	1,784,753	(9,719)
Change in cash and cash equivalents during the period	(60,893)	(5,134,469)
Cash and cash equivalents, beginning of period	1,888,578	8,432,843
Cash and cash equivalents, end of period	1,827,685	3,298,374
SUPPLEMENTAL INFORMATION		
Property, plant and equipment costs included in accounts payable	31,889	913,198
Transfer from reserves to share capital on exercise of RSRs	123,094	123,094
Deposits converted to equipment and plant under construction	-	347,901
Transfer from deficit to share capital on cancellation of shares	-	112,500
Transfer from deficit to share capital on expiry of agents options	976,608	
Modification of lease liability	-	2,627
Derecognition of right-of-use asset and lease liability	18,746	-

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)

	Common Shares #	Share Capital $	Reserves $	Deficit $	Total Equity $
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 RSRs	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
Balance, October 1, 2022	80,942,883	26,614,345	2,832,839	(13,427,078)	16,020,106
Shares issued pursuant to private placement	5,692,308	1,850,000	-	-	1,850,000
Share issuance costs	-	(6,128)	-	-	(6,128)
Shares issued on conversion of RSRs	214,125	123,094	(123,094)	-	-
Share-based compensation	50,000	12,500	101,461	-	113,961
Transfer from reserves to deficit on expiry of options	-	-	(976,608)	976,608	-
Loss and comprehensive loss for the period	-	-	-	(2,364,556)	(2,364,556)
Balance, March 31, 2023	86,899,316	28,593,811	1,834,598	(14,815,026)	15,613,383

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 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 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. During the period ended March 31, 2023, the Company incurred a net loss of $2,364,556 and has not yet achieved profitable operations. The Company has an accumulated deficit of $14,815,026 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. These condensed interim consolidated financial statements do not include any adjustments related to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material. The Company will need to raise sufficient working capital to maintain operations.

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, 2023. 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 IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"s). They do not include all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements, and, therefore, should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2022, 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, 2022 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 18, 2023

b) Basis of presentation

These condensed Interim consolidated financial statements have been prepared on the historical cost basis, using the accrual basis of accounting, except for cash flow information and certain financial instruments, which are measured at fair value. These condensed Interim consolidated financial statements are presented in Canadian dollars, which is the Company and its 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, 2023, the Company has 100% ownership interest in Optimi Labs Inc. and Optimi Nutraceuticals Corp.

d) 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 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.

(Unaudited - Expressed in Canadian Dollars)

3. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	Maturity	Classification	March 31, 2023 $	September 30, 2022 $
Cash	N/A	Cash	232,685	395,626
Term deposit – 3.35%	Demand	Cash equivalent	-	1,407,952
Term deposit – 4.45%	Demand	Cash equivalent	1,500,000	-
Term deposit – 1.2%	Demand	Cash equivalent	-	60,000
Term deposit – 4.25%	Demand	Cash equivalent	25,000	25,000
Term deposit – 4.25%	Demand	Cash equivalent	70,000	-

During the 6-month period ended March 31, 2023, the Company earned $47,311 (2022 - $36,124) in interest income.

4. Inventory

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

	March 31, 2023 $	September 30, 2022 $
Finished goods nutraceutical products	137,099	196,371
Raw materials	103,264	68,353
	240,363	**264,724**

During the 6-month period ended March 31, 2023, the Company recognized $60,239 (2022 - $1,516) in inventory as cost of sales.

5. Prepaids and Advances

Prepaids and advances consist of the following:

	March 31, 2023 $	September 30, 2022 $
Prepaid insurance	-	134,390
Prepaid marketing	-	21,213
Prepaid clinical trial fees	50,000	-
Prepaid transfer agent and filing fees	22,698	8,516
Security deposit	11,198	11,403
	83,896	**175,522**

(Unaudited - Expressed in Canadian Dollars)

6. 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. During the period ended March 31, 2023, the Company moved out of its Vancouver office and sold office furniture for gross proceeds of $15,000 resulting in a loss on sale of equipment of $14,956.

	Equipment $	Plant $	Total $
Cost			
September 30, 2021	84,555	8,586,465	8,671,020
Additions	1,055,129	4,717,024	5,772,153
September 30, 2022	1,139,684	13,303,489	14,443,173
Additions	178,217	23,022	201,239
Disposals	(42,505)	-	(42,505)
March 31, 2023	1,275,396	13,326,511	14,601,907
Accumulated amortization			
September 30, 2021	-	-	-
Additions	60,504	135,450	195,954
September 30, 2022	60,504	135,450	195,954
Additions	118,150	265,504	383,654
Disposals	(12,549)	-	(12,549)
March 31, 2023	166,105	400,954	567,059
Net book value			
September 30, 2022	1,079,180	13,168,039	14,247,219
March 31, 2023	1,109,291	12,925,557	14,034,848

7. 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 $3,500 per month.

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. During the 6-month period ended March 31, 2023, the Company moved out of its Vancouver office and derecognized the right-of-use asset and lease liability.

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

ROU asset	Princeton $	Office $	Total $
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	80,731	51,630	132,361
Amortization	(14,678)	(34,420)	(49,098)
Derecognition	-	(17,210)	(17,210)
ROU asset as at March 31, 2023	**66,053**	**-**	**66,053**

(Unaudited - Expressed in Canadian Dollars)

Lease liability	Princeton $	Office $	Total $
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
Lease payments	(21,000)	(38,119)	(59,119)
Lease interest	4,801	1,998	6,799
Derecognition	-	(18,746)	(18,746)
Lease liability as at March 31, 2023	**86,510**	**-**	**86,510**

	March 31, 2023 $	September 30, 2022 $
Current portion	34,921	88,092
Long-term portion	51,590	69,485
	86,511	**157,577**

8. Deferred revenue

During the 6-month period ended March 31, 2023, the Company received a deposit of $112,500 pursuant to a supply agreement. The Company has agreed to produce and supply its products for gross proceeds of $450,000. The purchaser has the option to purchase additional products for an additional $450,000. As the Company does not plan to deliver these products until subsequent periods, the deposit is classified as deferred revenue.

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, 2023 consisted of 86,899,316 common shares without par value.

During the 6-month period ended March 31, 2023, the Company:

- Issued 5,692,308 units pursuant to a private placement for gross proceeds of $1,850,000. Each unit is composed 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 are subject to a statutory hold period of four months.
- Issued 214,125 common shares valued at $123,094 on exercise of restricted share rights (“RSRs”).
- Issued 50,000 common shares valued at $12,500 as share-based compensation.

During the 6-month 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

(Unaudited - Expressed in Canadian Dollars)

Warrants

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
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
Granted	2,846,154	$0.50
Expired	(13,800,000)	$1.25
Balance, March 31, 2023	2,846,154	$0.50

The following is a summary of warrants as at March 31, 2023:

Expiry date	Exercise price	Number of warrants	Weighted average remaining contractual life (years)
October 7, 2024	$0.50	2,846,154	1.52

During the 6-month period ended March 31, 2023, 13,800,000 warrants expired unexercised.

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 period and 25% of the options granted will vest immediately, and 25% will vest each six-month period thereafter.

During the 6-month period ended March 31, 2023, the Company granted no stock options.

During the 6-month period ended March 31, 2023, the Company recorded $48,418 (2022 - $484,805) in share-based compensation expense due to the vesting of options.

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
Cancelled	(22,500)	$1.50
Balance, September 30, 2022	5,779,500	$1.16
Expired	(1,932,000)	$0.75
Balance, March 31, 2023	3,847,500	$1.36

(Unaudited - Expressed in Canadian Dollars)

The following is a summary of stock options as at March 31, 2023:

Expiry date	Exercise price	Number of options	Options exercisable	Weighted average remaining contractual life (years)
October 9, 2025	$0.50	500,000	500,000	2.53
January 26, 2026	$0.60	40,000	40,000	2.83
May 6, 2026	$1.50	2,025,000	2,025,000	3.10
May 20, 2026	$1.50	150,000	150,000	3.14
May 25, 2026	$1.50	75,000	75,000	3.15
June 14, 2026	$1.50	50,000	50,000	3.21
August 31, 2026	$1.50	1,000,000	750,000	3.42
June 23, 2023	$1.50	7,500	7,500	0.23

During the 6-month period ended March 31, 2023, 1,932,000 options expired unexercised resulting in a transfer of $976,608 from reserves to deficit.

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 6-month period ended March 31, 2023, the Company recorded $9,105 (2022 - $27,620) in share-based compensation related to the vesting of these RSRs. During the 6-month period ended March 31, 2023, 75,000 (2022 – 75,000) RSRs vested and were converted into common shares. During the 6-month period ended March 31, 2023, 150,000 RSRs were cancelled resulting in a 27,214 recovery of share-based compensation.

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 6-month period ended March 31, 2023, the Company recorded $71,152 (2022 - $171,721) in share-based compensation related to the vesting of these RSRs. During the 6-month period ended March 31, 2023, 139,125 (2022 – 139,125) RSRs vested and were converted into common shares.

10. Key Management Compensation and Related Party Transactions

During the 6-month period ended March 31, 2023, 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, 2023 $	**March 31, 2022** $
Consulting fees	101,250	148,500
Share-based compensation	94,548	507,525
Wages and benefits	250,000	250,000
	445,798	**906,025**

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

As at March 31, 2023, there was $170,219 (2022 - $3,205) 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, accounts receivable, accounts payable and accrued liabilities, deferred revenue, 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.

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. 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.

(Unaudited - Expressed in Canadian Dollars)

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. There have been no changes in the Company's capital management during the period ended March 31, 2023.

13. Segment Reporting

For the year ended March 31, 2023, 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, 2023 are all in Canada.

14. Commitments

The Company has lease commitments for the Facilities. Cash commitments for minimum lease payments in relation to the facility leases as at March 31, 2023, are payable as follows:

	$
Within 1 year	42,000
Between 1 year and 5 years	56,000
	98,000

15. Events after the reporting period

Subsequent to March 31, 2023, the Company:

- Signed a supply agreement to supply certain products for gross proceeds of $1,200,000.
- Issued 139,125 common shares on vesting of RSRs.
- Granted 100,000 stock options to an employee with an exercise price of $0.65 per option. These options vest 25% 6-months from the grant date with 25% every 6 months thereafter.