# Optimi Health Corp.

**Condensed Interim Consolidated Financial Statements**

**Period Ended June 30, 2023**

**(Expressed in Canadian Dollars)**

**Unaudited – Prepared by Management**

# Optimi Health Corp.

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

| | Note | June 30, 2023 *(unaudited)* $ | September 30, 2022 *(audited)* $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current** | | | |
| Cash and cash equivalents | 3 | 588,274 | 1,888,578 |
| Accounts receivable | | 154,783 | 98,702 |
| Inventory | 4 | 207,517 | 264,724 |
| Prepaids and advances | 5 | 198,683 | 175,522 |
| Total current assets | | 1,149,257 | 2,427,526 |
| Deposits | | 4,336 | 10,665 |
| Property, plant and equipment | 6 | 14,078,941 | 14,247,219 |
| Right-of-use assets | 7 | 58,713 | 132,361 |
| **Total assets** | | 15,291,247 | 16,817,771 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Current** | | | |
| Accounts payable and accrued liabilities | 10 | 602,461 | 640,088 |
| Deferred revenue | 8 | 478,466 | - |
| Lease liabilities | 7 | 35,801 | 88,092 |
| Total current liabilities | | 1,116,728 | 728,180 |
| Long-term lease liabilities | 7 | 42,303 | 69,485 |
| **Total liabilities** | | 1,159,031 | 797,665 |
| **Shareholders' equity** | | | |
| Share capital | 9 | 28,698,155 | 26,614,345 |
| Reserves | 9 | 1,755,109 | 2,832,839 |
| Accumulated deficit | | (16, 321,048) | (13,427,078) |
| **Total shareholders' equity** | | 14,132,216 | 16,020,106 |
| **Total liabilities and shareholders' equity** | | 15,291,247 | 16,817,771 |

Approved and authorized by the Board on August 17, 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 | 9 – month period ended June 30, 2023 $ | 9 – month period ended June 30, 2022 $ | 3 – month period ended June 30, 2023 $ | 3 – month period ended June 30, 2022 $ |
|---|---|---|---|---|---|
| **Revenue** | | 161,162 | 37,982 | 43,495 | 37,982 |
| Cost of sales | 4 | (95,749) | (7,217) | (29,792) | (7,217) |
| Gross margin | | 65,413 | 30,765 | 13,703 | 30,765 |
| **Expenses** | | | | | |
| Advertising, promotion and public relations | | 184,535 | 413,912 | 44,045 | 157,777 |
| Amortization | 6, 7 | 644,076 | 80,935 | 211,323 | 27,691 |
| Bank charges and interest | 7 | 12,632 | 23,462 | 3,485 | 8,377 |
| Consulting | 10 | 539,229 | 640,614 | 181,937 | 291,268 |
| Insurance | | 268,784 | 381,155 | 119,869 | 141,813 |
| Investor relations | | - | 317,949 | - | - |
| Marketing | | 21,213 | 1,357,959 | - | - |
| Office, rent and administration | | 190,781 | 200,893 | 90,582 | 48,380 |
| Production costs | | 267,161 | - | 144,771 | 22,684 |
| Professional fees | | 134,733 | 99,598 | 45,147 | 64,086 |
| Research and development | | 147,124 | 157,860 | 132,296 | 179,609 |
| Share-based compensation | 9, 10 | 138,816 | 863,756 | 24,855 | 10,400 |
| Shipping | | 90,458 | - | 30,212 | 37,280 |
| Transfer agent and filing fees | | 135,196 | 77,807 | 38,978 | 392,270 |
| Travel and accommodation | | 85,732 | 99,007 | 45,070 | 157,777 |
| Wages and benefits | 10 | 1,190,132 | 1,044,469 | 439,098 | 27,691 |
| | | (4,050,602) | (5,759,376) | (1,551,668) | (1,381,635) |
| Interest and other income | 3 | 129,567 | 48,055 | 31,943 | 11,931 |
| Loss on sale of equipment | 6 | (14,956) | - | - | - |
| **Loss and comprehensive loss for the period** | | 3,870,578 | 5,680,556 | 1,506,022 | 1,338,939 |
| **Loss per share** | | | | | |
| Basic and diluted | | $(0.05) | $(0.08) | $(0.02) | $(0.02) |
| **Weighted average number of common shares outstanding** | | | | | |
| Basic and diluted | | 81,148,727 | 69,906,724 | 87,011,332 | 76,548,303 |

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)

| | 9-month period ended June 30, 2023 $ | 9-month period ended June 30, 2022 $ |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net loss for the period | (3,870,578) | (5,680,556) |
| Add back non-cash items | | |
| Amortization | 644,076 | 80,935 |
| Share-based compensation | 138,816 | 863,756 |
| Lease interest | 8,892 | 16,236 |
| Loss on sale of equipment | 14,956 | - |
| Changes in non-cash working capital items | | |
| Accounts receivable | (56,081) | 98,725 |
| Inventory | 57,207 | (328,124) |
| Prepaids and advances | (23,161) | 1,427,944 |
| Deferred revenue | 478,466 | - |
| Accounts payable and accrued liabilities | (40,820) | (29,938) |
| **Cash used in operating activities** | (2,648,227) | (3,551,022) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Deposits | 6,329 | (293,467) |
| Purchase of short-term investments | - | 4,000,000 |
| Proceeds from sale of equipment | 15,000 | - |
| Plant expenditures | (114,181) | (5,098,989) |
| Equipment additions | (333,478) | (310,471) |
| **Cash used in investing activities** | (426,330) | (1,702,927) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Private placements, net of share issue costs | 1,843,872 | - |
| Exercise of warrants | - | 712,900 |
| Payment of lease obligations | (69,619) | (81,679) |
| **Cash provided by financing activities** | 1,774,253 | 631,221 |
| **Change in cash and cash equivalents during the period** | (1,300,304) | (4,622,728) |
| **Cash and cash equivalents, beginning of period** | 1,888,578 | 8,432,843 |
| **Cash and cash equivalents, end of period** | 588,274 | 3,810,115 |
| **SUPPLEMENTAL INFORMATION** | | |
| Property, plant and equipment costs included in accounts payable | $93,534 | $1,225,965 |
| Transfer from reserves to share capital on exercise of RSRs | $227,438 | $227,438 |
| Deposits converted to equipment and plant under construction | - | $446,598 |
| Transfer from share capital to deficit on cancellation of shares | - | $112,500 |
| Transfer from reserves to deficit 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 | 6,743,500 | 712,900 | - | - | 712,900 |
| Shares issued on conversion of restricted share rights | 353,250 | 227,438 | (227,438) | - | - |
| Share-based compensation | 50,000 | 25,000 | 838,756 | - | 863,756 |
| Shares returned to treasury | (150,000) | (112,500) | - | 112,500 | - |
| Loss and comprehensive loss for the period | - | - | - | (5,680,556) | (5,680,556) |
| **Balance, June 30, 2022** | **76,866,883** | **26,010,695** | **2,710,231** | **(11,756,806)** | **16,964,120** |
| **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 | 353,250 | 227,438 | (227,438) | - | - |
| Share-based compensation | 50,000 | 12,500 | 126,316 | - | 138,816 |
| Transfer from reserves to deficit on expiry of options | - | - | (976,608) | 976,608 | - |
| Loss and comprehensive loss for the period | - | - | - | (3,870,578) | (3,870,578) |
| **Balance, June 30, 2023** | **87,038,441** | **28,698,155** | **1,755,109** | **(16,321,048)** | **14,132,216** |

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 June 30, 2023, the Company incurred a net loss of $3,870,578 and has not yet achieved profitable operations. The Company has an accumulated deficit of $16,321,048 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.

## 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 August 17, 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 June 30, 2023, the Company has 100% ownership interest in Optimi Labs Inc. and Optimi Nutraceuticals Corp.

(Unaudited - Expressed in Canadian Dollars)

**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 property, plant and equipment***

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

***Valuation of inventory***

Inventories are valued at the lower of cost and net realizable value. Inventory is accounted for using the weighted average purchase cost of the components that comprise finished goods inventory. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

***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. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

| | Maturity | Classification | June 30, 2023 $ | September 30, 2022 $ |
|---|---|---|---|---|
| Cash | N/A | Cash | 93,274 | 395,626 |
| Term deposit – 3.35% | Demand | Cash equivalent | - | 1,407,952 |
| Term deposit – 4.45% | Demand | Cash equivalent | 400,000 | - |
| Term deposit – 1.2% | Demand | Cash equivalent | - | 60,000 |
| Term deposit – 4.25% | Demand | Cash equivalent | 70,000 | - |
| Term deposit – 4.25% | Demand | Cash equivalent | 25,000 | 25,000 |
| | | | **588,274** | **1,888,578** |

During the 9-month period ended June 30, 2023, the Company earned $79,059 (2022 - $48,055) in interest income.

(Unaudited - Expressed in Canadian Dollars)

## 4. Inventory

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

| | June 30, 2023 $ | September 30, 2022 $ |
|---|---|---|
| Finished goods nutraceutical products | 136,071 | 196,371 |
| Raw materials | 71,446 | 68,353 |
| | **207,517** | **264,724** |

During the 9-month period ended June 30, 2023, the Company recognized $88,039 (2022 - $7,217) in inventory as cost of sales.

## 5. Prepaids and Advances

Prepaids and advances consist of the following:

| | June 30, 2023 $ | September 30, 2022 $ |
|---|---|---|
| Prepaid insurance | 187,334 | 134,390 |
| Prepaid marketing | - | 21,213 |
| Prepaid transfer agent and filing fees | 11,348 | 8,516 |
| Security deposit | - | 11,403 |
| | **198,683** | **175,522** |

## 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 June 30, 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 | 423,554 | 25,762 | 449,316 |
| Disposals | (42,505) | - | (42,505) |
| June 30, 2023 | 1,520,733 | 13,329,251 | 14,849,984 |
| **Accumulated amortization** | | | |
| September 30, 2021 | - | - | - |
| Additions | 60,504 | 135,450 | 195,954 |
| September 30, 2022 | 60,504 | 135,450 | 195,954 |
| Additions | 189,217 | 398,421 | 587,638 |
| Disposals | (12,549) | - | (12,549) |
| June 30, 2023 | 237,172 | 533,871 | 771,043 |
| **Net book value** | | | |
| September 30, 2022 | 1,079,180 | 13,168,039 | 14,247,219 |
| June 30, 2023 | 1,283,261 | 12,795,380 | 14,078,941 |

(Unaudited - Expressed in Canadian Dollars)

## 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 9-month period ended June 30, 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<br>$ | Office<br>$ | Total<br>$ |
|---|---|---|---|
| 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 | (22,018) | (34,420) | (56,438) |
| Derecognition | - | (17,210) | (17,210) |
| **ROU asset as at June 30, 2023** | **58,713** | **-** | **58,713** |

| Lease liability | Princeton<br>$ | Office<br>$ | Total<br>$ |
|---|---|---|---|
| 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 | (31,500) | (38,119) | (69,619) |
| Lease interest | 6,895 | 1,997 | 8,892 |
| Derecognition | - | (18,746) | (18,746) |
| **Lease liability as at June 30, 2023** | **78,104** | **-** | **78,104** |

| | June 30, 2023<br>$ | September 30, 2022<br>$ |
|---|---|---|
| Current portion | 35,801 | 88,092 |
| Long-term portion | 42,303 | 69,485 |
| | **78,104** | **157,577** |

## 8. Deferred Revenue

During the period ended June 30, 2023, the Company received a deposit of $112,500 pursuant to a supply agreement for gross proceeds of $450,000. The purchaser has the option to purchase additional products for proceeds of up to $450,000. As the Company does not plan to deliver these products until subsequent to period end but within the next 12 months, the deposit is classified as deferred revenue.

During the period ended June 30, 2023, the Company received a deposit of $365,966 (USD$270,000) pursuant to a supply agreement for gross proceeds of $1,200,000 (USD$900,000) (Note 15).

## 9. Share Capital

### a) Authorized

Unlimited number of common shares without par value.

(Unaudited - Expressed in Canadian Dollars)

**b) Issued and outstanding**

The total issued and outstanding share capital as at June 30, 2023 consisted of 87,038,441 common shares without par value.

During the 9-month period ended June 30, 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. The Company incurred share issuance costs of $6,128 in connection with this private placement.
- Issued 353,250 common shares valued at $227,438 on exercise of restricted share rights ("RSRs").
- Issued 50,000 common shares valued at $12,500 as share-based compensation for advisory services.

During the 9-month period ended June 30, 2022, the Company:

- Issued 6,743,500 common shares valued at $712,900 on exercise of warrants.
- Issued 353,250 common shares valued at $227,438 on exercise of RSRs.
- Issued 50,000 common shares valued at $25,000 for services recorded as share-based compensation for advisory services..
- Cancelled 150,000 common shares valued at $112,500, which were returned to treasury.

***Warrants***

Warrant transactions are summarized as follows:

| | Number of warrants | Weighted average exercise price |
|---|---|---|
| Balance, September 30, 2021 | 40,997,005 | $0.61 |
| Exercised | (10,744,500) | $0.12 |
| Expired | (16,452,505) | $0.40 |
| Balance, September 30, 2022 | 13,800,000 | $1.25 |
| Issued | 2,846,154 | $0.50 |
| Expired | (13,800,000) | $1.25 |
| Balance, June 30, 2023 | 2,846,154 | $0.50 |

The following is a summary of warrants as at June 30, 2023:

| Expiry date | Exercise price | Number of warrants | Weighted average remaining contractual life (years) |
|---|---|---|---|
| October 7, 2024 | $0.50 | 2,846,154 | 1.27 |

During the 9-month period ended June 30, 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

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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 9-month period ended June 30, 2023, the Company granted stock options as follows:

- 10,000 stock options with an exercise price of $0.65 per option with a term of 5 years. The options vest 25% 6-monthsafter grant date and 25% every 6 months thereafter.
- 100,000 stock options with an exercise price of $0.65 per option with a term of 5 years. The options vest 25% 6-months after grant date and 25% every 6 months thereafter.

During the 9-month period ended June 30, 2023, the Company recorded $51,902 (2022 - $570,930) 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 | (1,939,500) | $0.75 |
| Granted | 110,000 | $0.65 |
| Balance, June 30, 2023 | 3,950,000 | $1.36 |

The following is a summary of stock options as at June 30, 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 | 2.28 |
| January 26, 2026 | $0.60 | 40,000 | 40,000 | 2.58 |
| May 6, 2026 | $1.50 | 2,025,000 | 2,025,000 | 2.85 |
| May 20, 2026 | $1.50 | 150,000 | 150,000 | 2.89 |
| May 25, 2026 | $1.50 | 75,000 | 75,000 | 2.90 |
| June 14, 2026 | $1.50 | 50,000 | 50,000 | 2.96 |
| August 31, 2026 | $1.50 | 1,000,000 | 750,000 | 3.17 |
| March 29, 2028 | $0.65 | 10,000 | - | 4.75 |
| April 26, 2028 | $0.65 | 100,000 | - | 4.83 |

During the 9-month period ended June 30, 2023, 1,939,500 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 9-month period ended June 30, 2023, the Company recorded $9,105 (2022 - $36,458) in share-based compensation related to the vesting of these RSRs. During the 9-month period ended June 30, 2023, 75,000 (2022 – 75,000) RSRs vested and were converted into common shares. During the 9-month period ended June 30, 2023, 150,000 RSRs were cancelled resulting in a $27,214 recovery of share-based compensation.

(Unaudited - Expressed in Canadian Dollars)

During the year ended September 30, 2021, the Company granted 927,500 RSRs to directors, officers, consultants and advisors valued at $695,625. These RSRs vest as follows: 10% on the grant date and 15% on every six-month anniversary thereafter. During the 9-month period ended June 30, 2023, the Company recorded $92,523 (2022 - $231,368) in share-based compensation related to the vesting of these RSRs. During the 9-month period ended June 30, 2023, 278,250 (2022 – 278,250) RSRs vested and were converted into common shares.

## 10. Key Management Compensation and Related Party Transactions

During the 9-month period ended June 30, 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:

| | June 30, 2023<br>$ | June 30, 2022<br>$ |
|---|---|---|
| Consulting fees | 165,500 | 148,500 |
| Share-based compensation | 106,645 | 507,525 |
| Wages and benefits | 375,000 | 250,000 |
| | **647,145** | **906,025** |

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

As at June 30, 2023, there was $227,714 (2022 - $33,140) 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, trade receivables, 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.

(Unaudited - Expressed in Canadian Dollars)

***Interest rate risk***

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

***Credit risk***

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and trade receivables. 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. There have been no changes in the Company's capital management during the period ended June 30, 2023.

## 13. Segment Reporting

For the year ended June 30, 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 June 30, 2023 are all in Canada.

## 14. Commitments

The Company has lease commitments for the Princeton Facilities. Cash commitments for minimum lease payments in relation to the facility leases as at June 30, 2023, are payable as follows:

| | $ |
|---|---|
| Within 1 year | 35,801 |
| Between 1 year and 5 years | 42,303 |
| | 78,104 |

## 15. Events after the Reporting Period

Subsequent to June 30, 2023, the Company:

- Announced senior debt financing of up to $3,000,000 with an interest rate of 7.5% and a term of three years secured against the assets of the Company. As of the date of the financial statements $1,000,000 in proceeds have been received from a company controlled by a director. In connection with this financing, the Company issued 100,000 common share purchase warrants with an exercise price of $0.50 and a term of three years.
- The Company received a termination notice for one of its supply agreements (Note 8). The Company believes the customer's claims for termination of said agreement are without merit.