

Optimi Health Corp.

Condensed interim consolidated financial statements

Period Ended March 31, 2024

(Expressed in Canadian Dollars)

Unaudited – Prepared by Management



OPTIMI HEALTH CORP.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

The accompanying condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management and have been approved by the Board of Directors of the Company.

May 30, 2024

Optimi Health Corp.

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

	Note	March 31, 2024 \$	September 30, 2023 \$
ASSETS	10		
Current			
Cash and cash equivalents	3	268,911	1,344,778
Accounts receivable		170,619	165,738
Inventory	4	1,032,391	779,274
Prepays and advances	6	42,939	138,665
Total current assets		1,514,860	2,428,455
Deposits		38,160	15,910
Property, plant and equipment	7	13,603,089	13,995,990
Right-of-use assets	8	36,696	51,374
Total assets		15,192,805	16,491,729
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		577,332	1,062,211
Due to related party	12	609,093	398,890
Deferred revenue	9	112,500	112,500
Lease liabilities	8	38,577	36,704
Total current liabilities		1,337,502	1,610,305
Long-term lease liabilities	8	13,013	32,781
Loans payable	10	2,610,750	1,637,750
Total liabilities		3,961,265	3,280,836
Shareholders' equity			
Share capital	11	29,354,009	28,698,155
Reserves	11	2,208,468	2,157,756
Accumulated deficit		(20,330,937)	(17,645,018)
Total shareholders' equity		11,231,540	13,210,893
Total liabilities and shareholders' equity		15,192,805	16,491,729

Approved and authorized by the Board on May 30, 2024

"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
(Expressed in Canadian Dollars)

	Note	6 – month Period Ended March 31, 2024 \$	6 – month Period Ended March 31, 2023 \$	3 – month period ended March 31, 2024 \$	3 – month period ended March 31, 2023 \$
Revenue		187,964	117,667	82,890	70,124
Cost of sales		(114,554)	(65,957)	(44,441)	(46,926)
Gross margin before fair value adjustments		73,410	51,710	38,449	23,198
Unrealized gain in fair value of biological assets		141,162	-	-	-
Fair value change on sale of inventory		-	-	-	-
Gross margin		214,572	51,170	38,449	23,198
Expenses					
Advertising, promotion and public relations		99,043	161,703	46,073	59,756
Amortization	7, 8	388,383	432,752	220,212	216,627
Bank charges and interest	8, 10	195,487	9,148	99,384	4,392
Consulting	12	501,329	357,292	255,184	176,285
Insurance		122,768	148,915	17,936	53,857
Office, rent and administration		168,744	100,199	90,050	56,842
Professional fees		67,460	89,586	37,925	39,308
Production costs		275,844	122,390	191,023	90,833
Research and development		8,613	14,828	-	6,805
Share-based compensation	11, 12	47,556	113,961	28,715	33,214
Shipping		68,429	60,246	30,842	33,843
Transfer agent and filing fees		81,494	96,218	46,271	42,303
Travel and accommodation		28,149	40,662	14,648	20,264
Wages and benefits	12	859,988	751,034	407,692	400,925
		(2,913,287)	(2,498,934)	1,485,955	1,233,954
Interest and other income	3	12,796	97,624	3,961	56,867
Loss on sale of equipment		-	(14,956)	-	(14,956)
Loss and comprehensive loss for the period		(2,685,919)	(2,364,556)	(1,443,545)	(1,215,241)
Loss per share					
Basic and diluted		\$(0.03)	\$(0.03)	\$(0.02)	\$(0.01)
Weighted average number of common shares outstanding					
Basic and diluted		87,495,182	81,252,217	87,932,159	86,820,103

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

Optimi Health Corp.

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

	6-month Period Ended March 31, 2024 \$	6-month Period Ended March 31, 2023 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	(2,685,919)	(2,364,556)
Add back non-cash items		
Amortization	388,383	432,752
Share-based compensation	47,556	113,961
Unrealized gain in fair value of biological assets	(141,162)	-
Loan accretion	77,000	-
Lease interest	3,105	14,956
Changes in non-cash working capital items		
Accounts receivable	(4,881)	(9,145)
Inventory	152,661	24,361
Biological assets	(211,005)	-
Prepays and advances	95,726	91,626
Deferred revenue	-	112,500
Due to related party	210,203	-
Accounts payable and accrued liabilities	(478,843)	(29,015)
Cash used in operating activities	<u>(2,547,176)</u>	<u>(1,605,758)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits	(22,250)	6,329
Proceeds from sale of equipment	-	15,000
Plant and equipment expenditures	(40,451)	(261,217)
Cash used in investing activities	<u>(62,701)</u>	<u>(239,888)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Private placements, net of share issue costs	555,010	1,843,872
Proceeds from loans	1,000,000	-
Payment of lease obligations	(21,000)	(59,119)
Cash provided by financing activities	<u>1,534,010</u>	<u>1,784,753</u>
Change in cash and cash equivalents during the year	(1,075,867)	(60,893)
Cash and cash equivalents, beginning of year	<u>1,344,778</u>	<u>1,888,578</u>
Cash and cash equivalents, end of year	<u>268,911</u>	<u>1,827,685</u>
SUPPLEMENTAL INFORMATION		
Property, plant and equipment costs included in accounts payable	\$68,496	\$31,889
Transfer from reserves to share capital on exercise of RSRs	\$104,344	\$104,344
Derecognition of right-of-use asset and lease liability	-	\$18,746
Equity component of loans payable	\$104,000	-
Residual value of warrants	\$18,500	-

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
(Expressed in Canadian Dollars)

	Common Shares	Share Capital \$	Reserves \$	Deficit \$	Total Equity \$
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 issue costs	-	(6,128)	-	-	(6,128)
Shares issued on conversion of RSRs	214,125	123,094	(123,094)	-	-
Transfer from reserves to deficit on expiry of options	-	-	(976,608)	976,608	-
Share-based compensation	50,000	12,500	101,491	-	113,961
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
Balance, October 1, 2023	87,038,441	28,698,155	2,157,756	(17,645,018)	13,210,893
Shares issued pursuant to private placement	1,850,033	555,010	-	-	555,010
Residual value of warrants	-	(18,500)	18,500	-	-
Shares issued on conversion of RSRs	139,125	104,344	(104,344)	-	-
Share-based compensation	50,000	15,000	32,556	-	47,556
Equity component of mortgages payable	-	-	104,000	-	104,000
Loss and comprehensive loss for the period	-	-	-	(2,685,919)	(2,685,919)
Balance, March 31, 2024	89,077,599	29,354,009	2,208,468	(20,330,937)	11,231,540

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

Optimi Health Corp.

Notes to the Condensed interim consolidated financial statements

Period ended March 31, 2024

(Expressed in Canadian Dollars)

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 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, 2024, the Company incurred a net loss of \$2,685,919 and has not yet achieved profitable operations. The Company has an accumulated deficit of \$20,330,937 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 may 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. Subsequent to the year ended March 31, 2024, the Company raised \$944,990 in the form of a private placement financing; however, the Company will need to raise sufficient working capital to maintain operations for the upcoming 12 months (Note 17).

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, 2023, 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, 2023 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 30, 2024.

b) Basis of presentation

These condensed Interim consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value. These condensed Interim consolidated financial statements are presented in Canadian dollars, which is the Company and its 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, 2024, the Company has 100% ownership interest in Optimi Labs Inc. and Optimi Nutraceuticals Corp.

Optimi Health Corp.

Notes to the Condensed interim consolidated financial statements

Period ended March 31, 2024

(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 year. Actual results may differ from these estimates.

Significant estimates and judgments are evaluations and assumptions about the future and other sources of estimation uncertainty that management has made, which could result in a material adjustment to the carrying amounts of assets and liabilities. Significant estimates and judgments used in the preparation of these condensed interim consolidated financial statements include, but are not limited to, the following:

Going concern

The assessment of whether the concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

Provisions and contingencies

The amount recognized as a provision, including legal, contractual, constructive, and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. The Company assesses its liabilities and contingencies based upon the best information available.

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

Valuation of inventory

Inventories are valued at the lower cost and net realizable value except for biological inventory which includes a fair value component. Purchased 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 compensation. 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. The Company estimates volatility based on the Company's historical share prices, excluding specific time frames in which volatility was affected by specific transactions that are not considered to be indicative of the entities' expected share price volatility.

Biological assets and inventory

In calculating the value of the biological assets, management is required to make a number of estimates, including estimating the stage of growth of the mushrooms up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the mushrooms. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compare the inventory cost versus net realizable value. The cost and fair value of biological assets are capitalized to the extent that their cost and fair value will be recoverable.

Optimi Health Corp.

Notes to the Condensed interim consolidated financial statements

Period ended March 31, 2024

(Expressed in Canadian Dollars)

Loans payable

The identification of loan components is based on interpretation of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the loans payable at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability component is also based on a number of assumptions, including contractual future cash flows and discount rate.

Estimated useful lives of property, plant and equipment

Depreciation of property, plant and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment.

3. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	Maturity	Classification	March 31, 2024 \$	September 30, 2023 \$
Cash	N/A	Cash	173,911	1,249,778
Term deposit – 3.0%	Demand	Cash equivalent	70,000	70,000
Term deposit – 4.25%	Demand	Cash equivalent	25,000	25,000
			268,411	1,344,778

During the period ended March 31, 2024, the Company earned \$12,796 (2023 - \$47,331) in interest income.

4. Inventory

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

	March 31, 2024 \$	September 30, 2023 \$
Finished goods nutraceutical products	40,676	97,366
Harvested mushrooms	886,211	621,595
Raw materials	97,994	60,313
	1,032,391	779,274

As at March 31, 2024, the Company holds 243kg (2023 - nil) in harvested mushroom biomass.

5. Biological Assets

During the year ended March 31, 2024, the Company commenced production of mushrooms at its plant located in Princeton, British Columbia. Biological assets consist of psilocybin mushrooms.

	Total \$
Balance, October 1, 2023	-
Production costs capitalized	123,454
Unrealized gain in fair value of biological assets, less cost to sell	141,162
Transfer to inventory upon harvest	(264,616)
Balance, March 31, 2024	-

Optimi Health Corp.

Notes to the Condensed interim consolidated financial statements

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(Expressed in Canadian Dollars)

During the year ended September 30, 2023, the Company commenced production and harvest of psilocybin mushrooms to be used for commercial purposes. Although the Company can sell its raw mushroom biomass, it will further process the raw mushroom biomass into psilocybin extract. The cost to process and extract psilocybin are considered costs to sell and are deducted from the fair value of mushroom biomass.

Determination of fair value of the biological assets requires the Company to make various estimates and assumptions. The fair value of biological assets is considered a Level 3 category in the IFRS fair value hierarchy. When applying IFRS 13 Fair Value Measurement to non-financial assets, in this case the biological asset and produce, the fair value considers a market participant's ability to use that asset in its highest and best use. The highest and best use considers the use of the asset that is physically possible, legally permissible, and financially feasible, either in combination with other assets or on a standalone basis. During the 3-month period ended March 31, 2024, the Company allocated the harvested mushroom biomass to research and development and costs were expensed as incurred. The significant estimates and inputs used to assess the fair value of biological assets include the following assumptions as at March 31, 2024:

- Selling price – calculated based on the expected selling price of psilocybin extract derived from processing the raw mushroom biomass, based on the Company's purchase orders received to date.
- Post-harvest costs – calculated as the cost per gram required to convert the raw mushroom biomass into psilocybin extract, consisting of labour, raw materials, and laboratory testing.
- Psilocybin potency of raw mushroom inputs – calculated based on the percent psilocybin as a function of raw mushroom input biomass.
- Recovery efficiency of psilocybin extract – calculated based on the weight of psilocybin extracted from raw mushroom biomass as a function of the input psilocybin weight.

	March 31, 2024
	\$
Selling Price	\$1,000 / gram of psilocybin extract
Post harvest costs	\$451 / gram of psilocybin extract
Psilocybin potency	12mg / g
Recovery efficiency of psilocybin	55.24%

During the period ended March 31, 2024, \$53,611 (2023 - \$nil) in amortization was capitalized to biological assets (Note 8).

6. Prepaids and Advances

Prepaids and advances consist of the following:

	March 31, 2024	September 30, 2023
	\$	\$
Deposits for inventory raw materials	16,870	17,752
Prepaid insurance	-	112,401
Prepaid transfer agent and filing fees	26,069	8,512
	42,939	138,665

7. Property, Plant and Equipment

The Company's two 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.

	Equipment	Plant	Total
	\$	\$	\$
Cost			
September 30, 2022	1,139,684	13,303,489	14,443,173
Additions	511,783	154,520	666,303
Grants received	-	(88,460)	(88,460)
Disposals	(42,505)	-	(42,505)
September 30, 2023	1,608,962	13,369,549	14,978,511
Additions	34,418	-	34,418
March 31, 2024	1,643,380	13,369,489	15,012,929

Optimi Health Corp.

Notes to the Condensed interim consolidated financial statements

Period ended March 31, 2024

(Expressed in Canadian Dollars)

Accumulated amortization			
September 30, 2022	60,504	135,450	195,954
Additions	267,088	532,028	799,116
Disposals	(12,549)	-	(12,549)
September 30, 2023	315,043	667,478	982,521
Additions	159,195	268,124	427,319
March 31, 2024	474,238	935,602	1,409,840
Net book value			
September 30, 2023	1,293,919	12,702,071	13,995,990
March 31, 2024	1,169,142	12,433,947	13,603,089

During the period ended March 31, 2024, \$53,611 (2023 - \$nil) in amortization was capitalized to biological assets (Note 5).

8. Right-of-Use Assets and Lease Liabilities

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 year ended September 30, 2023, the Company moved out of its Vancouver office and derecognized the right-of-use asset and lease liability resulting in a gain on derecognition of \$1,536, included in interest and other income in the consolidated statements of comprehensive loss.

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

	Princeton \$	Office \$	Total \$
ROU asset			
ROU asset as at September 30, 2022	80,731	51,630	132,361
Amortization	(29,357)	(34,420)	(63,777)
Derecognition	-	(17,210)	(17,210)
ROU asset as at September 30, 2023	51,374	-	51,374
Amortization	(14,678)	-	(14,678)
ROU asset as at March 31, 2024	36,696	-	36,696
	Princeton \$	Office \$	Total \$
Lease liability			
Lease liability as at September 30, 2022	102,709	54,868	157,577
Lease payments	(42,000)	(38,119)	(80,119)
Lease interest	8,776	1,997	10,773
Derecognition	-	(18,746)	(18,746)
Lease liability as at September 30, 2023	69,485	-	69,485
Lease payments	(21,000)	-	(21,000)
Lease interest	3,105	-	3,105
Derecognition	-	-	-
Lease liability as at March 31, 2024	51,590	-	51,590
	March 31, 2024 \$	September 30, 2023 \$	
Current portion	38,577	36,704	
Long-term portion	13,013	32,781	
	51,590	69,485	

Optimi Health Corp.

Notes to the Condensed interim consolidated financial statements

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(Expressed in Canadian Dollars)

9. Deferred Revenue

During the year ended September 30, 2023, the Company received a non-refundable deposit of \$112,500 (2022 - \$nil) pursuant to a supply agreement for gross proceeds of \$450,000 (2022 - \$nil). The purchaser has the option to purchase additional products for proceeds of up to \$450,000. The deposit is classified as deferred revenue.

10. Loans payable

During the year ended September 30, 2023, the Company received gross proceeds of \$2,000,000 (2022 - \$nil) from loans with an interest rate of 7.5% (2022 - N/A) and a term of three years secured against the assets of the Company. In connection with this financing, the Company issued 200,000 common share purchase warrants with an exercise price of \$0.50 and a term of three years (note 12). The loans are secured against the assets of the Company.

During the period ended March 31, 2024, the Company received an additional \$1,000,000 in gross proceeds from a loan with an interest rate of 7.5% (2023 - N/A) and a term of 18-months secured against the assets of the Company. 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 (note 12). The loans are secured against the assets of the Company.

The warrants were valued at \$3,500 (2022 - \$nil) using the Black-Scholes option pricing model and were accounted for as debt issuance costs. The inputs to the Black-Scholes pricing model were as follows: stock price – \$0.20, exercise price – \$0.50, expected life – 3 years, volatility – 100%, and discount rate – 0.41%.

During the period ended March 31, 2024, the Company recorded loan accretion of \$77,000 (2023 - \$nil) in relation to these loans.

Loans	\$
Loans as at September 30, 2023	1,637,750
Loan proceeds received	1,000,000
Equity component of loans	(104,000)
Loan accretion	77,000
Loans as at March 31, 2024	<u>2,610,750</u>

11. 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, 2024 consisted of 89,077,599 common shares without par value.

During the period ended March 31, 2024, the Company:

- Issued 139,125 common shares valued at \$104,344 on exercise of restricted share rights ("RSRs").
- Issued 1,850,033 units pursuant to a private placement for gross proceeds of \$555,010. Each Unit is comprised of one common share in the capital of the Company and one-half of one transferable Common Share purchase warrant ("Warrant"). Each Warrant entitles the holder to acquire one Common Share at \$0.40 for two years from the date of issuance, subject to an accelerated expiry provision, whereby in the event the closing price of the Company's Common Shares on the Canadian Securities Exchange exceeds \$0.50 for a period of 20 consecutive trading days, at the Company's election, the period within which the Warrants are exercisable, will be reduced and the holders of the Warrants will be entitled to exercise their Warrants for a period of 30 days commencing on the day the Company provides notice, any outstanding Warrants not exercised during the 30 day period will expire.
- Issued 50,000 common shares valued at \$15,000 as share-based compensation.

Optimi Health Corp.

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Period ended March 31, 2024

(Expressed in Canadian Dollars)

During the 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.

Warrants

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance, September 30, 2022	13,800,000	\$1.25
Issued	3,046,154	\$0.50
Expired	(13,800,000)	\$1.25
Balance, September 30, 2023	3,046,154	\$0.50
Issued	1,025,016	\$0.41
Balance, March 31, 2024	4,071,170	\$0.48

The following is a summary of warrants as at March 31, 2024:

Expiry date	Exercise price	Number of warrants	Weighted average remaining contractual life (years)
October 7, 2024	\$0.50	2,846,154	0.52
August 4, 2026	\$0.50	100,000	2.35
August 29, 2026	\$0.50	100,000	2.41
May 1, 2025	\$0.50	100,000	1.08
February 23, 2026	\$0.40	925,016	1.90

c) Equity incentive plan

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

Stock options

The EIP authorizes the Board to grant options to eligible directors and employees (including officers). The number of options, the exercise price per option, the vesting period, and any other terms and conditions of options granted from time to time pursuant to the EIP, are determined by the Board at the time of the grant, subject to the defined parameters of the EIP. Unless otherwise determined by the Board, stock options will have a term of five years and 25% of the options granted will vest immediately, and 25% will vest each six-month period thereafter.

During the period ended March 31, 2024, the Company granted 100,000 stock options with an exercise price of \$0.65 and a term of five years.

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

During the period ended March 31, 2024, the Company recorded \$10,910 (2023 - \$48,418) in share-based compensation expense due to the vesting of options.

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Options transactions are summarized as follows:

	Number of options	Weighted average exercise price
Balance, September 30, 2022	5,779,500	\$1.16
Expired	(1,939,500)	\$0.75
Granted	110,000	\$0.65
Balance, September 30, 2023	3,950,000	\$1.32
Granted	100,000	\$0.65
Balance, March 31, 2024	4,050,000	\$1.32

The following is a summary of stock options as at March 31, 2024:

Expiry date	Exercise price	Number of options	Options exercisable	Weighted average remaining contractual life (years)
October 9, 2025	\$0.50	500,000	500,000	1.53
January 26, 2026	\$0.60	40,000	40,000	1.82
May 6, 2026	\$1.50	2,025,000	2,025,000	2.10
May 20, 2026	\$1.50	150,000	150,000	2.14
May 25, 2026	\$1.50	75,000	75,000	2.15
June 14, 2026	\$1.50	50,000	50,000	2.21
August 31, 2026	\$1.50	1,000,000	1,000,000	2.42
March 29, 2028	\$0.65	10,000	2,500	4.00
April 26, 2028	\$0.65	100,000	-	4.07
November 1, 2028	\$0.65	100,000	-	4.59

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 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% every six months thereafter. During the period ended March 31, 2024, the Company recorded \$21,646 (2023 - \$71,152) in share-based compensation related to the vesting of these RSRs. During the period ended March 31, 2024, 139,125 (2023 - 139,125) RSRs vested and were converted into common shares.

12. Key Management Compensation and Related Party Transactions

During the period ended March 31, 2024, and 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, 2024	March 31, 2023
	\$	\$
Consulting fees	252,500	101,250
Share-based compensation	12,253	94,548
Wages and benefits	210,487	250,000
	475,240	445,798

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

As at March 31, 2024, there was \$609,093 (2023 - \$398,890) owing to key management, which is recorded as due to related party. The amounts are unsecured, without interest and due on demand.

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During the year ended September 30, 2023, the Company received \$1,000,000 in loan proceeds from a company controlled by a director (Note 11). As at March 31, 2024, the Company owed \$1,000,000 (2023 - \$nil) in principal and \$18,750 (2023 - \$nil) in accrued mortgage interest in relation to this loan.

13. 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.

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, lease liabilities, and loans payable. The fair values of these financial instruments approximate their carrying values due to the short-term nature of these instruments, with the exception of lease liabilities and loans payable which are measured using Level 2 inputs.

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 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 liabilities, which matures based on the lease agreement, and loans payable, which have a term of three years.

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Currency risk

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

14. Capital Disclosure

The capital structure of the Company consists of equity attributable to common shareholders comprising 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, 2024.

15. Segment Reporting

For the period ended March 31, 2024, the Company has one reportable operating segment, being that of farming, processing and distribution of raw mushroom biomass, mushroom extracts and mushroom supplements. The Company's non-current assets at March 31, 2024 are all in Canada.

16. Commitments

The Company has lease commitments for the Princeton Facilities (Note 8). Cash commitments for minimum lease payments in relation to the facility leases as at March 31, 2024, are payable as follows:

	\$
Within 1 year	42,000
Between 1 year and 5 years	14,000
	<u>56,000</u>

17. Events after the Reporting Period

Subsequent to March 31, 2024, the Company

- Received \$944,990 in proceeds from a non-brokered private placement on issuance of 3,149,967 units at \$0.30 per unit. Each Unit is comprised of one common share in the capital of the Company and one-half of one transferable Common Share purchase warrant ("Warrant"). Each Warrant entitles the holder to acquire one Common Share at \$0.40 for two years from the date of issuance, subject to an accelerated expiry provision, whereby in the event the closing price of the Company's Common Shares on the Canadian Securities Exchange exceeds \$0.50 for a period of 20 consecutive trading days, at the Company's election, the period within which the Warrants are exercisable, will be reduced and the holders of the Warrants will be entitled to exercise their Warrants for a period of 30 days commencing on the day the Company provides notice, any outstanding Warrants not exercised during the 30 day period will expire.
- Issued 139,125 common shares valued at \$104,344 on exercise of restricted share rights ("RSRs"). All of the Company's RSRs are now fully vested and converted into common shares.
- Granted 15,000 stock options with an exercise price of \$0.35 and a term of 5 years.