
LOPHOS HOLDINGS INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
THREE AND NINE MONTHS ENDED DECEMBER 31,
2023
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of Lophos Holdings Inc. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements as at and for the three and nine months ended December 31, 2023 have not been reviewed by the Company's auditors.

Lophos Holdings Inc.

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

	As at December 31, 2023	As at March 31, 2023
ASSETS		
Current assets		
Cash	\$ 203,292	\$ 140,029
HST receivable	210,435	162,265
Inventory	9,714	9,714
Prepaid expense and advance (note 3)	8,372	219,208
Biological assets (note 4)	12,330	-
Total current assets	444,143	531,216
Non-current assets		
Fixed assets (note 5)	3,692,627	3,448,539
Total assets	\$ 4,136,770	\$ 3,979,755
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 15(a))	\$ 345,841	\$ 445,281
Due to related parties (note 15(a)(iii))	21,440	21,440
Convertible debenture (notes 6 and 15)	142,128	-
Promissory notes (note 7)	1,909,981	-
	2,419,390	466,721
Non-current liabilities		
Convertible debenture (notes 6 and 15)	-	126,795
Promissory notes (note 7)	-	1,909,981
Total liabilities	2,419,390	2,503,497
Shareholders' Equity		
Share capital (note 9)	2,519,224	1,981,447
Warrants and special warrants (note 10)	502,144	296,605
Contributed surplus (note 11)	813,248	500,701
Equity portion of convertible debenture	15,625	15,625
Deficit	(2,132,861)	(1,318,120)
Total equity	1,717,380	1,476,258
Total liabilities and shareholders' equity	\$ 4,136,770	\$ 3,979,755

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

Business of the Company and going concern (note 1)

On Behalf of the Board:

"Solomon Elimminian"
Director

"Jeremy Petsun"
Director

Lophos Holdings Inc.

Condensed Interim Consolidated Statements of loss and Comprehensive loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended		Nine months ended	
	December 31,		December 31,	
	2023	2022	2023	2022
Expenses				
Salaries and benefits (note 15(b))	\$ -	\$ 23,846	\$ 3,358	\$ 100,435
Professional fees (note 15)	53,611	141,070	240,492	336,264
Depreciation (note 5)	7,092	11,211	21,200	33,511
Investor relations	186	-	7,908	7,811
Shareholder information	3,435	-	21,527	1,273
Office and general	26,006	2,350	124,244	89,157
Interest expense (notes 6 and 7)	46,911	45,867	149,481	125,722
Stock-based compensation (note 11)	44,839	-	312,547	-
Net loss and comprehensive loss before below items	(182,080)	(224,344)	(880,757)	(694,173)
Unrealized gain on changes in fair value of biological assets (note 4)	1,330	-	1,330	-
Net loss and comprehensive loss for the period	\$ (180,750)	\$ (224,344)	\$ (879,427)	\$ (694,173)
Basic and diluted net loss for the period (note 14)	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	85,859,673	63,650,000	85,356,673	63,650,000

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

Lophos Holdings Inc.

Condensed Interim Consolidated Statements of Changes in Equity For the three and nine months ended December 31, 2023 and 2022 (Expressed in Canadian Dollars) (Unaudited)

	Share Capital		Warrants and special warrants	Contributed surplus	Equity portion of convertible debenture	Deficit	Total
	Number of shares	Amount					
Balance, March 31, 2022	63,650,000	\$ 1,022,322	\$ 1,200,106	\$ 333,090	\$ -	\$ (330,405)	\$ 2,225,113
Equity portion of convertible debenture	-	-	-	-	15,625	-	15,625
Broker warrants issued (notes 6 and 10)	-	-	5,624	-	-	-	5,624
Special warrants issued	-	-	50,000	-	-	-	50,000
Net loss for the period	-	-	-	-	-	(694,173)	(694,173)
Balance, December 31, 2022	63,650,000	\$ 1,022,322	\$ 1,255,730	\$ 333,090	\$ 15,625	\$ (1,024,578)	\$ 1,602,189
Balance, March 31, 2023	79,611,667	\$ 1,981,447	\$ 296,605	\$ 500,701	\$ 15,625	\$ (1,318,120)	\$ 1,476,258
Issuance of shares and warrants in private placements (note 9(b))	6,248,006	554,929	253,072	-	-	-	808,001
Fair value of broker warrants issued in private placement (notes 9(b) and 10)	-	(17,152)	17,152	-	-	-	-
Expiry of warrants	-	-	(64,686)	-	-	64,686	-
Stock-based compensation	-	-	-	312,547	-	-	312,547
Net loss for the period	-	-	-	-	-	(879,427)	(879,427)
Balance, December 31, 2023	85,859,673	\$ 2,519,224	\$ 502,144	\$ 813,248	\$ 15,625	\$ (2,132,861)	\$ 1,717,380

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

Lophos Holdings Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

Nine months ended December 31,	2023	2022
Operating activities		
Net loss for the period	\$ (879,427)	\$ (694,173)
Adjustments for:		
Stock based compensation (note 11)	312,547	-
Unrealized gain on changes in fair value of biological assets	(1,330)	-
Depreciation	21,200	33,511
Accrued interest on promissory notes	115,147	125,722
Accrued interest on loan payable	10,000	-
Accretion on convertible debenture	24,333	-
Non-cash working capital items:		
Accounts receivable	(48,170)	(72,135)
Prepaid expense and advances	-	(210,836)
Accounts payable and accrued liabilities	(108,439)	73,320
Net cash (used in) operating activities	(554,139)	(744,591)
Investing activities		
Purchase of fixed assets	(54,452)	(27,737)
Expenditure on biological assets	(11,000)	-
Net cash (used in) investing activities	(65,452)	(27,737)
Financing activities		
Proceeds from private placements, net of costs	808,001	-
Proceeds from convertible debenture, net of cost	-	138,000
Repayment of loan payable	(60,000)	(40,000)
Proceeds from issuance of special warrants	-	50,000
Proceeds from loan payable	50,000	-
Repayment of promissory notes	(115,147)	(75,725)
Net cash provided by financing activities	682,854	72,275
Net change in cash	63,263	(700,053)
Cash, beginning of period	140,029	1,001,060
Cash, end of period	\$ 203,292	\$ 301,007

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

Lophos Holdings Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended December 31, 2023

(Expressed in Canadian Dollars)

(Unaudited)

1. Business of the Company and going concern

Lophos Pharmaceuticals Corp. ("Lophos Pharma") was incorporated under the *Business Corporations Act* (British Columbia) on September 13, 2021. The registered and head office of Lophos Pharma is located at 550 Burrard St #2900, Vancouver, BC V6C 0A3.

The Company's principal business pertains to the cultivation and research of *Lophophora williamsii* ("peyote cactus"). Additionally, in the long-term, the Company is engaged in the research and development of compounds derived from peyote cactus.

Lophos Holdings Inc. ("Lophos Holdings" or "the Company") was incorporated under the *Business Corporations Act* (British Columbia) on October 14, 2020 under the name "Greenridez 2.0 Acquisitions Corp." and subsequently filed a notice of alteration of its articles in order to change its name to "Lophos Holdings Inc." on February 4, 2022. The registered and head office of the Company is located at 550 Burrard St #2900, Vancouver, BC V6C 0A3.

On December 23, 2021, the Company entered into a Share Exchange Agreement with the shareholders of Lophos Pharma, pursuant to which the Company agreed to acquire all of the issued and outstanding common shares of Lophos Pharma in consideration for the issuance of a total of 44,500,000 Common Shares to shareholders of Lophos Pharma in proportion with their respective interest in Lophos Pharma. The acquisition was accounted for as a reverse takeover ("RTO") whereby Lophos Pharma was identified as the acquirer for accounting purpose and accordingly the resulting consolidated financial statements are presented as a continuance of Lophos Pharma. After the RTO, the combined entity of Lophos Holdings and Lophos Pharma is referred to also as "the Company" in these consolidated financial statements.

On December 23, 2021, immediately following the closing of the share Exchange Agreement with the shareholders of Lophos Pharma, the Company entered into a Share Purchase Agreement with certain shareholders of Richmond Pharma Inc. ("Richmond Pharma"), pursuant to which the Company agreed to acquire all of the issued and outstanding common shares of Richmond Pharma held by Eric Hancox, Vassil Staykov and Sandra Williams.

On December 23, 2021, immediately following the closing of the share Exchange Agreement with the shareholders of Lophos Pharma, the Company entered into a Share Purchase Agreements with certain shareholders of Richmond Pharma, pursuant to which the Company agreed to acquire all of the issued and outstanding common shares of Richmond Pharma held by Herman Holdings Limited ("HHL") in consideration for the issuance of a total of 17,500,000 Common Shares to Herman Holdings Limited. Subsequent to the closing of the acquisition, the Company entered into a debt settlement agreement with Herman Holdings Limited pursuant to which the Company issued 400,000 Common

On August 14, 2023, the Company received a receipt from the British Columbia Securities Commission for its final prospectus dated August 11, 2023, thus becoming a reporting issuer in the Province of British Columbia.

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. For the nine months ended December 31, 2023, the Company reported a net loss of \$879,427. At December 31, 2023, the Company has cash balance of \$203,292, however the Company's ability to continue as a going concern is dependent upon its ability to develop and maintain profitable operations or to obtain additional financing. There is no assurance that the outcome of these matters will be successful and, as a result, there are material uncertainties that might cause significant doubt regarding the going concern assumption.

These unaudited condensed interim consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying unaudited condensed interim consolidated financial statements. Such adjustments could be material.

Lophos Holdings Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended December 31, 2023

(Expressed in Canadian Dollars)

(Unaudited)

1. Business of the Company and going concern (continued)

The Company's ability to continue as a going concern is dependent upon raising additional capital to meet its present and future commitments. If additional financing is arranged through the issuance of shares, control of the Company may change and shareholders may suffer significant dilution. In addition, the Company has not generated any revenue to date. These circumstances indicate that material uncertainties exist that may cast significant doubt about the Company's ability to continue as a going concern and, accordingly, the ultimate use of accounting principles applicable to a going concern.

2. Basis of Presentation and significant accounting policies

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full audited annual financial statements.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of February 28, 2024, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended March 31, 2023, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending March 31, 2024 could result in restatement of these unaudited condensed interim consolidated financial statements.

New accounting policy adopted

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- a. clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period"
- b. clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability
- c. make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

The Company adopted this amendment on April 1, 2023. The adoption of this amendment did not have any significant impact on the unaudited condensed interim consolidated financial statements.

Lophos Holdings Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended December 31, 2023

(Expressed in Canadian Dollars)

(Unaudited)

2. Basis of Presentation and significant accounting policies (continued)

New accounting policy adopted (continued)

Biological assets

The Company defines biological assets as living plants up to the point of harvest. Biological assets are measured at fair value less costs to sell at the end of each reporting period in accordance with IAS 41 - *Agriculture* using the market approach by considering the market prices of comparable biological assets that have been sold recently. The Company utilizes a market approach to determine the fair value less cost to sell at a specific measurement date, based on the existing plants' stage of completion up to the point of harvest. The Company cultivates *Lophophora williamsii* ("peyote cactus"). The stage of completion is determined based on the diameter of each plant.

The following inputs and assumptions are all categorized within level 3 on the fair value hierarchy and were used in determining the fair value less costs to sell of the biological assets:

Inputs and assumptions	Description	Correlation between inputs and fair value
Average fair market value per gram of peyote plant	Represents the average estimated selling price per gram of peyote plant, which is expected to approximate future selling prices.	If the average selling price per gram were higher (lower), estimated fair value would increase (decrease).
Average yield per plant	Represents the weighted average number of grams of fresh peyote inventory expected to be harvested from each plant.	If the weighted average yield per plant was higher (lower), estimated fair value would increase (decrease).
Stage of completion in the cultivation process	Represents the diameter of each plant over the expected diameter of 5 centimetres at harvest.	If the diameter of the plant was higher (lower), estimated fair value would increase (decrease).

The following table highlights the sensitivities and impact of changes in significant assumptions on the fair value of biological assets cultivated:

Inputs and assumptions	Range of inputs			Impact on fair value	
	December 31, 2023	March 31, 2023	Sensitivity	December 31, 2023	March 31, 2023
Average fair market value per gram of peyote plant	\$1.5	N/A	Increase or decrease by \$0.15 per gram	\$1,233	N/A
Average yield per plant (gram)	200	N/A	Increase of decrease by 20 grams per plant	\$1,233	N/A

Recent accounting pronouncements

Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted. These standards are not expected to have a material impact on the Company in the current and future reporting periods.

Lophos Holdings Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended December 31, 2023

(Expressed in Canadian Dollars)

(Unaudited)

3. Prepaid expense and advance

As at	December 31, 2023	March 31, 2023
Advance for equipment purchase	\$ -	\$ 210,836
Prepaid expenses	8,372	8,372
Total	\$ 8,372	\$ 219,208

4. Biological assets

The changes in the carrying value of biological assets during the period are as follows:

As at	December 31, 2023
Balance, beginning	\$ -
Production costs capitalized	11,000
Changes in fair value less cost to sell due to biological transformation	1,330
Balance, ending	\$ 12,330

5. Fixed assets

Cost	Building	Computer	Machinery & equipment	Scientific equipment	Furniture & fixture	Land	Total
Balance, March 31, 2022	\$2,521,250	\$ 5,631	\$ 127,528	\$ 431,620	\$ 3,009	\$ 378,750	\$3,467,788
Additions	27,737	-	-	-	-	-	27,737
Balance, March 31, 2023	2,548,987	5,631	127,528	431,620	3,009	378,750	3,495,525
Additions	-	-	-	265,288	-	-	265,288
Balance, December 31, 2023	\$2,548,987	\$ 5,631	\$ 127,528	\$ 696,908	\$ 3,009	\$ 378,750	\$3,760,813

Accumulated depreciation	Building	Computer	Machinery & equipment	Scientific equipment	Furniture & fixture	Land	Total
Balance, March 31, 2022	\$ -	\$ 1,402	\$ -	\$ 5,395	\$ 75	\$ -	\$ 6,872
Depreciation	-	1,269	38,258	-	587	-	40,114
Balance, March 31, 2023	-	2,671	38,258	5,395	662	-	46,986
Depreciation	-	669	20,177	-	354	-	21,200
Balance, December 31, 2023	\$ -	\$ 3,340	\$ 58,435	\$ 5,395	\$ 1,016	\$ -	\$ 68,186

Net book value	Building	Computer	Machinery & equipment	Scientific equipment	Furniture & fixture	Land	Total
Balance, March 31, 2023	\$2,548,987	\$ 2,960	\$ 89,270	\$ 426,225	\$ 2,347	\$ 378,750	\$3,448,539
Balance, December 31, 2023	\$2,548,987	\$ 2,291	\$ 69,093	\$ 691,513	\$ 1,993	\$ 378,750	\$3,692,627

During the three and nine months ended December 31, 2023, there was no depreciation for building or scientific equipment as they are not in use.

Lophos Holdings Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended December 31, 2023

(Expressed in Canadian Dollars)

(Unaudited)

6. Convertible debenture

On August 31, 2022, the Company issued a convertible debenture with principal of \$150,000 bearing interest at 8% with a maturity date of December 23, 2024. The Company incurred cash issuance costs of \$12,000. The Company allocated \$116,751 of the principal amount, net of cost, to the liability component of the debenture and the remaining amount of \$17,705 to the equity component of the debenture. The Company also issued 80,000 broker warrants in connection with the issuance of the convertible debenture. The fair value of the broker warrants was estimated at \$5,624 using the Black-Scholes valuation model on the following assumptions: dividend yield 0%; volatility 100%; risk-free interest rate 3.64%; and an expected life of 2 years.

The continuity of the convertible debenture is as follows:

As at	December 31, 2023	March 31, 2023
Balance, beginning	\$ 126,795	\$ -
Issued	-	132,295
Issuance cost	-	(15,544)
Accretion	15,333	10,044
Balance, ending	\$ 142,128	\$ 126,795

7. Promissory notes

The continuity of the promissory notes are as follows:

As at	December 31, 2023	March 31, 2023
Balance, beginning	\$ 1,909,981	\$ 1,951,434
Interest expense accrued	115,147	152,832
Repayment	(115,147)	(194,285)
Balance, ending	\$ 1,909,981	\$ 1,909,981

The promissory notes are unsecured, bear an annual interest rate of 8% and matures on December 23, 2024.

8. Loan payable

During the nine months ended December 31, 2023, the Company borrowed a loan payable from Andrew Easdale for a principal amount of \$50,000. The loan is due on demand. During the nine months ended December 31, 2023, the Company repaid the principal of \$50,000 and interest of \$10,000.

Lophos Holdings Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended December 31, 2023

(Expressed in Canadian Dollars)

(Unaudited)

9. Share capital

a) Authorized share capital

Authorized unlimited common shares and unlimited number of preferred shares

b) Common shares issued

	Number of Common Shares	Amount (\$)
Balance, March 31, 2022 and December 31, 2022	63,650,000	1,022,322
Shares issued from conversion of special warrants (i)	15,961,667	1,142,074
Warrants issued upon conversion of special warrants (i)	-	(182,949)
Balance, March 31, 2023	79,611,667	1,981,447
Shares issued in private placement, net of issuance costs (ii)(iii)	6,248,006	554,929
Fair value of broker warrants issued in private placement (ii)(iii)	-	(17,152)
Balance, December 31, 2023	85,859,673	2,519,224

(i) On January 31, 2023, the Board of Directors resolved to convert, effective as of January 31, 2023, and for no additional consideration and pursuant to the terms of the Special Warrants, all of 15,961,667 Special Warrants issued and outstanding into 15,961,667 Common Shares, 5,333,334 warrants exercisable at \$0.20 per warrant into 5,333,334 common shares of the Company until March 21, 2024 and 333,333 warrants exercisable at \$0.20 per warrant into 333,333 common shares of the Company until November 30, 2024. The holders of the Common Shares issued upon the conversion of the Special Warrants are entitled to the same rights as holders of Common Shares, namely to vote at all meetings of the holders of Common Shares and, subject to the rights of holders of any shares ranking in priority to or on a parity with the Common Shares, to participate rateably in any distribution of the Company's property or assets upon liquidation or winding-up.

The fair value of the 5,333,334 warrants expiring on March 21, 2024 was estimated to be \$167,574 using the Black-Scholes valuation model on the following assumptions: dividend yield 0%; volatility 100%; risk-free interest rate 3.91%; and an expected life of 1.14 years. The fair value of the 333,333 warrants expiring on November 30, 2024 was estimated to be \$15,375 using the Black-Scholes valuation model on the following assumptions: dividend yield 0%; volatility 100%; risk-free interest rate 3.91%; and an expected life of 1.83 years.

(ii) On May 5, 2023, the Company completed the first tranche of the private placement at which time the company issued an aggregate of 1,500,001 units at \$0.15 for gross proceeds of \$225,000. Each Unit consists of one (1) common share and one (1) common share purchase warrant. Each Warrant entitles the holder to acquire one Common Share at a price of \$0.20 per Common Share for a period of 24 months following the issuance of such Warrant. In connection with the closing, the company paid cash finder fees of \$22,500 and issued 75,000 non-transferable finder warrants entitling the holder to purchase one common share at a price of \$0.20 for a period of two years from closing and 75,000 compensation common shares issued at a deemed value price of \$0.15 per common share.

The fair value of the 1,500,001 warrants expiring on May 5, 2025 was estimated to be \$63,112 using the Black-Scholes valuation model on the following assumptions: dividend yield 0%; volatility 100%; risk-free interest rate 3.70%; and an expected life of 2 years. The fair value of the 75,000 warrants expiring on May 5, 2025 was estimated to be \$5,276 using the Black-Scholes valuation model on the following assumptions: dividend yield 0%; volatility 100%; risk-free interest rate 3.70%; and an expected life of 2 years.

Lophos Holdings Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended December 31, 2023

(Expressed in Canadian Dollars)

(Unaudited)

9. Share capital (continued)

b) Common shares issued (continued)

(iii) On August 10, 2023, the Company completed the closing of a second tranche of the Concurrent Private Placement pursuant to which it issued 4,170,005 Units, at a price per Unit of \$0.15, for gross proceeds to the Company of \$625,501. Each Unit issued under the closing of the second and final tranche of the Concurrent Private Placement is comprised of one Common Share and one Common Share purchase warrant entitling the holder thereof to acquire one additional Common Share, at an exercise price of \$0.20, for a period of 24 months. The Company also issued 167,666 Broker Warrants to a registered dealer. Each Broker Warrant entitles the holder thereof to acquire one Common Share, at an exercise price of \$0.20, for a period of 24 months. The Company also issued 503,000 Common Shares as compensation, at a deemed issue price of \$0.15, to the same registered dealer and incurred transaction costs of \$20,000 in relation to the second tranche of the Concurrent Private Placement.

The fair value of the 4,170,005 warrants expiring on August 10, 2025 was estimated to be \$189,960 using the Black-Scholes valuation model on the following assumptions: dividend yield 0%; volatility 100%; risk-free interest rate 4.37%; and an expected life of 2 years. The fair value of the 167,666 warrants expiring on August 10, 2025 was estimated to be \$11,876 using the Black-Scholes valuation model on the following assumptions: dividend yield 0%; volatility 100%; risk-free interest rate 4.37%; and an expected life of 2 years.

10. Warrants and broker warrants

The Company issued warrants and broker warrants to acquire common shares as follows:

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, March 31, 2022	6,213,583	0.10
Issued in connection with the convertible debenture	80,000	0.15
Balance, December 31, 2022	6,293,583	0.11
Issued upon conversion of special warrants	5,666,667	0.20
Balance, March 31, 2023	11,960,250	0.15
Issued in private placement (note 9(b))	5,912,672	0.20
Expired	(5,480,250)	0.10
Balance, December 31, 2023	12,392,672	0.20

Lophos Holdings Inc.

Notes to Condensed Interim Consolidated Financial Statements
For the three and nine months ended December 31, 2023
(Expressed in Canadian Dollars)
(Unaudited)

10. Warrants and broker warrants (continued)

The following table reflects the warrants and broker warrants issued and outstanding as of December 31, 2023:

Expiry Date	Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Warrants Outstanding
March 21, 2024	0.15	0.22	533,333
March 21, 2024	0.20	0.22	5,333,334
August 31, 2024	0.20	0.67	80,000
November 30, 2024	0.20	0.92	333,333
April 6, 2025	0.10	1.27	200,000
May 5, 2025	0.20	1.35	1,500,001
May 5, 2025	0.20	1.35	75,000
August 10, 2025	0.20	1.61	4,170,005
August 10, 2025	0.20	1.61	167,666
	0.20	0.89	12,392,672

On August 31, 2022, the Company issued 80,000 broker warrants in connection with the convertible debenture with each broker warrant exercisable for one common share of the Company at \$0.20 for a period of two years from the date of issuance (note 6).

On January 31, 2023, the Company issued 5,333,334 warrants expiring on March 21, 2024 and 333,333 warrants expiring on November 30, 2024 upon conversion of special warrants.

During the three and nine months ended December 31, 2023, 5,480,250 warrants expired unexercised.

11. Stock options

The Company issued stock options to acquire common shares as follows:

	Number of Stock Options	Weighted Average Exercise Price (\$)
Balance, March 31, 2022 and December 31, 2022	-	-
Granted	4,325,000	0.15
Balance, March 31, 2023 and December 31, 2023	4,325,000	0.15

The following table reflects the actual stock options issued and outstanding as of December 31, 2023:

Expiry Date	Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (Exercisable)
January 31, 2028	0.15	4.09	4,325,000	3,243,750

Lophos Holdings Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended December 31, 2023

(Expressed in Canadian Dollars)

(Unaudited)

11. Stock options (continued)

On January 31, 2023, the Board also approved an Option Plan, designed for selected employees, officers, directors, consultants and contractors, to incentivize such individuals to contribute toward the Company's long-term goals, and to encourage such individuals to acquire Common Shares as long-term investments. The Option Plan is administered by the Board. Upon approval of the Option Plan on January 31, 2023, the Company granted 4,325,000 stock options with each option convertible into a Common Share of the Company at a price of \$0.15 per Common Share until January 31, 2028. The terms of any award are determined by the Board, provided that no options may be granted with an exercise price lower than the greater of the closing market prices of the Common Shares on (a) the trading day prior to the date of grant of the stock options, and (b) the date of grant of the stock options. The options vest as to one quarter (1/4) in every three months from the date of grant. The fair value of the stock options was estimated to be \$490,574 using the Black-Scholes valuation model on the following assumptions: dividend yield 0%; volatility 100%; risk-free interest rate 3.04%; and an expected life of 5 years. During the three and nine months ended December 31, 2023, the Company recorded stock-based compensation of \$44,839 and \$312,547, respectively (three and nine months ended December 31, 2022 - \$nil).

12. Capital management

The Company considers its capital to be its shareholders' equity. As at December 31, 2023, the Company had shareholders' equity of \$1,717,380. The Company's objective when managing its capital is to seek continuous improvement in the return to its shareholders while maintaining a moderate to high tolerance for risk. The objective is achieved by prudently managing the capital generated through internal growth and profitability, through the use of lower cost capital, including raising share capital or debt when required to fund opportunities as they arise. The Company may also return capital to shareholders through the repurchase of shares, pay dividends or reduce debt where it determines any of these to be an effective method of achieving the above objective. The Company does not use ratios in the management of its capital. There have been no changes to management's approach to managing its capital during the three and nine months ended December 31, 2023.

13. Fair value and financial risk factors

Risk Management

In the normal course of business, the Company is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

Fair Values

The Company has designated its cash as FVTPL which are measured at fair value. Fair value of cash is determined based on transaction value and is categorized as a Level One measurement.

- Level One - includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level Two - includes inputs that are observable other than quoted prices included in Level One.
- Level Three - includes inputs that are not based on observable market data.

Lophos Holdings Inc.

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(Expressed in Canadian Dollars)

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13. Fair value and financial risk factors (continued)

As at December 31, 2023, the carrying and fair value amounts of the Company's cash are approximately equivalent due to its short term nature. Cash is classified as Level One in the fair value hierarchy as at December 31, 2023.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. As at December 31, 2023, management believes that the credit risk with respect to cash and HST receivable is minimal.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying its financial obligations. The Company manages its liquidity risk by forecasting its operations and anticipating its operating and investing activities.

Interest Risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk to the extent that the cash, if any, maintained at financial institutions is subject to a floating rate of interest. The interest rate risk on cash is not considered significant. The promissory notes and convertible debenture of the Company are not subject to interest rate risk as they bear a fixed interest rate. As at December 31, 2023, a 5% increase (decrease) on the interest rate will result in a corresponding increase (decrease) of approximately \$10,000 in the Company's unaudited condensed interim consolidated statements of loss and comprehensive loss for the three and nine months ended December 31, 2023.

14. Net loss per share

The calculation of basic loss per share for the three and nine months ended December 31, 2023 was based on the loss attributable to common shareholders of \$180,750 and \$879,427, respectively (three and nine months ended December 31, 2022 - \$224,344 and \$694,173, respectively) and the weighted average number of common shares outstanding of 85,859,673 and 85,356,673, respectively (three and nine months ended December 31, 2022 - 63,650,000).

Diluted loss per share for the three and nine months ended December 31, 2023 does not include the effect of 12,392,672 (three and nine months ended December 31, 2022 - 6,293,583) warrants and broker warrants and 4,325,000 (three and nine months ended December 31, 2022 - nil) stock options and the promissory note as their effect on the net loss per share would be anti-dilutive.

15. Related party transactions

(a) Related party balances and transactions

Related parties include the directors of the Company, close family members and enterprises which are controlled by these individuals as well as persons performing similar functions.

	Three months ended December 31,		Nine months ended December 31,	
	2023	2022	2023	2022
Marrelli Group (i)	\$ 14,249	\$ 17,698	\$ 45,901	\$ 33,102
Catalytica Corp. ("Canalytica") (ii)	\$ 44,000	\$ 32,632	\$ 44,000	\$ 86,354

Lophos Holdings Inc.

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(Unaudited)

15. Related party transactions (continued)

(a) Related party balances and transactions (continued)

(i) During the three and nine months ended December 31, 2023, the Company paid professional fees totaling \$14,249 and \$45,901, respectively, to Marrelli Support Services Inc. ("Marrelli Support"), and certain of its affiliates, all of which are controlled by Carmelo Marrelli (together known as the "Marrelli Group") for: (i) Remantra Sheopaul is an employee of Marrelli Support and acts as the Chief Financial Officer of the Company; (ii) bookkeeping and office support; (iii) corporate secretarial; (iv) transfer agent; and (v) regulatory filing services. Remantra Sheopaul is an employee of Marrelli Support. As at December 31, 2023, the Marrelli Group was owed \$3,631 (March 31, 2023 - \$9,435) and these amounts were included in amounts payable and accrued liabilities.

(ii) Fees included in professional fees related to the consulting services provided by Canalytica. The Chief Executive Officer of the Company is a director of Canalytica. As at December 31, 2023, \$4,520 (March 31, 2023 - \$nil) was owed to Canalytica by the Company.

(iii) The Company owed certain shareholder \$21,440 as at December 31, 2023 (March 31, 2023 - \$21,440). The loans are unsecured, non-interest bearing and due on demand.

(iv) The Company issued a convertible debenture (note 6) of \$150,000 to Wolf Acquisition 1.0 Corp. ("Wolf Acquisition"), a company that shares a director with Lophos. As at December 31, 2023, the Company had \$17,115 (March 31, 2023 - \$8,115) accrued interest on the convertible debenture owed to Wolf Acquisition which was included in the accounts payable and accrued liabilities.

(b) Remuneration of directors and key management

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. Remuneration of management of the Company was as follows:

	Three months ended December 31,		Nine months ended December 31,	
	2023	2022	2023	2022
Salaries and benefits	\$ -	\$ 23,846	\$ 3,358	\$ 100,435
Share based payments	\$ 27,733	\$ -	\$ 193,309	\$ -

(c) Major shareholders

To the knowledge of the directors and senior officers of the Company, as at December 31, 2023, no person or corporation beneficially owns or exercises control over common shares of the Company carrying more than 10% of the voting rights attached to all common shares of the Company other than Catalytica which controls 13%. The holdings can change at any time at the discretion of the owners.

None of the Company's major shareholders have different voting rights compared to holders of the Company's common shares.

The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change in control of the Company. To the knowledge of the Company, it is not directly or indirectly owned or controlled by another corporation, by any government or by any natural or legal person severally or jointly.